

MAR 30 '48*

THE ROUND TABLE

A QUARTERLY REVIEW OF
BRITISH COMMONWEALTH AFFAIRS

Contents of Number 150

**TWO VIEWS OF EMPIRE
UNTEMPERED MORTAR
BRITAIN'S ROLE IN THE WORLD TO-DAY
AMERICAN ECONOMIC POLICY
NEWFOUNDLAND LOOKS AT HER FUTURE
THE GOVERNMENT OF BIZONIA
BRITISH AGRICULTURE TO-DAY AND TO-MORROW
ELECTION YEAR IN THE UNITED STATES**

Articles from Correspondents in

**UNITED KINGDOM INDIA PAKISTAN IRELAND
CANADA AUSTRALIA NEW ZEALAND**

And a Note on
BRITISH COMMONWEALTH RELATIONS

MARCH 1948

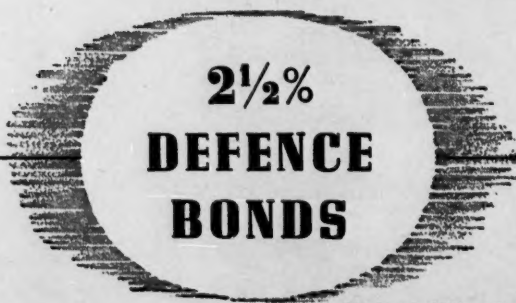
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A QUARTERLY REVIEW OF
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TWO VIEWS OF EMPIRE

AN INTRODUCTION TO DEBATE

WITH the present number THE ROUND TABLE completes a hundred and fifty issues. The period of thirty-seven years, during which it has recorded and commented upon the development of the British Commonwealth and Empire, forms already a substantial fraction of the whole of imperial history, reckoned from the separation of the American colonies in 1783. It is a period long enough to define a new phase of the operation of the Commonwealth in world affairs. Over the whole century and a half of the growth of the second British Empire it has stood for an ideal of human emancipation, its several members all evolving towards, and the most advanced of them attaining, the same system of responsible self-government that was long since achieved by the mother country, and the Empire as a whole constantly furthering by example and aid the advance of liberal ideas of government in countries outside its allegiance. The first condition for progress in liberty is peace. During the nineteenth century the British Empire, at that time consisting of the United Kingdom and a number of subordinate communities, was successful in preventing the outbreak of world war. It did so by virtue of the possession of irresistible sea power, which, by controlling the lines of communication across the oceans, could preclude the spread of conflict from continent to continent. This sea power was financed and wielded by the United Kingdom, whose sole responsibility for conducting the foreign policy, and therefore the defence policy, of the entire Empire was never questioned.

At the date when THE ROUND TABLE was founded, which was also the date when the extension of autonomy under the Crown to all the greater colonies of European settlement had just been completed by the Union of South Africa, this power of the British Empire to take single-handed responsibility for the security of world peace had come to an end. Its breakdown was the consequence, not of the emancipation of the hitherto subordinate British nations, but of the emergence for the first time since Trafalgar of a serious competitor for sea power in the Hohenzollern Reich. In the response to this challenge two world wars have shown that unity in action, once guaranteed by the authority of government from Westminster, is still characteristic of the Commonwealth. It is now the unity of a group of equal partners, led but not commanded by the United Kingdom; but it has still sufficed, if not to prevent the outbreak of world war, at least to provide a nucleus of resistance which has eventually guaranteed the victory of free nations everywhere against the combined forces of tyranny in the world.

In commenting, quarter by quarter, through thirty-seven years, on the progress of this imperial development, THE ROUND TABLE has always been accustomed to present a collective view. The conduct of its policy is entrusted to a group of colleagues in each self-governing nation of the British

Commonwealth, who are responsible as a body for the quarterly chronicle of events in their country and for any other article that may appear from time to time over its date-line. The group in the United Kingdom, who endeavour to take into consideration the opinions of their associates elsewhere in the Commonwealth, bear similar responsibility for all that is published without specific indication of its place of origin.

It is not to be expected either that all the ROUND TABLE groups should agree on particular issues of policy, or that the members of any one group should be invariably unanimous among themselves. But they meet frequently and discuss the major controversies as they arise in public affairs, aiming at eventually presenting in THE ROUND TABLE a view that shall be the resultant of their individual opinions, and express the kind of general agreement that is obtainable, for instance, within the ranks of a parliamentary party. They are enabled to concur in a broad trend of policy from which each of them might privately wish to diverge in certain details because all of them accept without reserve two fundamental principles. They are all convinced adherents of the modern liberal imperialism, and have welcomed every step in the progress of the once subordinate communities of the Empire to their present equality of status with the United Kingdom. With no less conviction they believe that the unity of the Commonwealth in action is indispensable to the welfare of each of its units, and to its collective service to the world, in which it remains one of the principal buttresses of peace and guarantees for the survival and spread of free institutions. They consider this united action more essential than ever in the conditions left by the second world war, in which the Empire is confronted by two immense concentrations of power, each of them completely overshadowing any one of the units of the Commonwealth, which only by combining all its sources of strength can hope to live with them on equal terms in the comity of nations.

The Problem of Liberty and Unity

IT is obvious that the two guiding principles of twentieth-century imperialism, the freedom of the parts and the united action of the whole, may conflict with one another; in fact the means of reconciling them may be regarded as the central problem of Empire. The conductors of THE ROUND TABLE are at one in thinking that a satisfactory solution has not yet been found; that while the ideal of liberty has been vigorously pursued, the correlative principle of unity has been neglected. Although unity of action has been impressively demonstrated in time of war, a corresponding unity in counsel has been conspicuously lacking in peace. The failure to maintain it between the wars may be held largely responsible for the unpreparedness for defence of the Commonwealth as a whole; since the war it has weakened the hands of Commonwealth statesmen in many negotiations with the unitary world powers of the United States and the Soviet Union.

It is common ground that the fissiparous tendency that dogs the Commonwealth whenever it is not immediately confronted with an external enemy in arms is dangerous, and ought to be counteracted. From before the

foundation of THE ROUND TABLE, however, two fundamentally distinct proposals for a remedy have been advocated. One school of thought maintains that the only way to secure unity of action in time of peace, and show to the world a united front so strong as to be able to deter attack, not merely achieve victory after attack, is for the separate nations of the Commonwealth to entrust to a single government the conduct of their foreign and defence policy, with so much of direct financial authority over their subjects as is necessary to support it. The proposed federal government will not involve the recently emancipated Dominions in any return to subordination to the mother country, for they, no less than the United Kingdom, will be equal partners in constituting it; and the powers that as parts they delegate to the whole are exactly balanced by the increased authority of their citizens in the affairs of the collective Commonwealth. It is hoped that the union, which may be inaugurated by the agreement of two or more members of the Commonwealth without waiting for the rest, will be open from the first to the adhesion of foreign nations of liberal constitution; that the United States might, in time, become associated with it; and that in some future age it might lead on to the creation of a world state. This, the plan of "organic union", owing its inspiration to the famous letters of Alexander Hamilton and others in *The Federalist*, which persuaded the thirteen separate American colonies to become the United States, is best represented in its application to the modern British Commonwealth by the writings of Mr. Lionel Curtis, especially *Civitas Dei* (1938) and *World War: Its Cause and Cure* (1945). A brief exposition of the fundamental idea was given by the late Lord Lothian in his Burge Memorial Lecture of 1935.

In contrast with this view there is a powerful body of opinion which holds that the political separation of the member nations of the Commonwealth must be accepted as permanent, and that the objection of the Dominions to any sort of subordination to a common government will never be removed merely because the powers of such a government are a joint delegation from them all rather than the expression of a surviving suzerainty of the senior partner. The representatives of this school believe that the tenacity of the Dominions in clinging to the entirety of their sovereign rights proceeds from no narrow or selfish nationalism, but corresponds to the real needs of the Commonwealth in the complex situation of the world to-day. They observe that every member of the Commonwealth is also a member of a world-wide international society, more intricately related than ever before in history; that the cohesion and stability of their association is inseparable from their power of friendly co-operation with the United States; and that the United Kingdom in particular has an indispensable part to play as leader of another international group, that of the liberal-minded nations of western Europe. In the judgment of this school it is impossible for the imperial partnership to be drawn together by closer formal bonds without fatally limiting the capacity of the partners to discharge their indispensable duties in these other relationships. They nevertheless deplore as strongly as do the organic unionists the decay—the latest example is the indefinite suspension of the Imperial Conference—of the apparatus that has promoted so much of united

policy as the Commonwealth has hitherto achieved. They believe they are able to propound a plan for future development which, while recognizing that the basis of joint action must be consultation between mutually independent units, will so revive, strengthen and multiply the organs of co-operation between governments and between parliaments that the Commonwealth will be enabled to achieve a united policy for itself, which will also be a help, and not a hindrance, in generating harmony in the other international relationships in which it or its members are involved.

The arguments for this view are stated at length in *The British Commonwealth* (1945), by Sir Edward Grigg (now Lord Altrincham), and more briefly, but powerfully, in the last lecture of *Thoughts on the Constitution* (1947), by Mr. L. S. Amery.

A Change of Editorial Practice

ON the issue between these competing programmes the whole future of the British Commonwealth and Empire may hinge. It is vitally important that British patriots everywhere shall study and weigh the rival arguments. After prolonged consideration the conductors of THE ROUND TABLE have reached the conclusion that their customary practice, of attempting to hold the balance even when differences arise in their own ranks concerning the right approach to their common objective of a free but united Commonwealth, is not applicable to a controversy of such magnitude. It might prevent the arguments on either side from being presented with their full force. Accordingly a change of practice is inaugurated in the present number.

In the first place, in order to emphasize the fact that the main interest of the review is in the Commonwealth as a whole, the separate chronicles of events in the member nations will henceforth be supplemented by a brief narrative which will survey those events occurring during the quarter that bear particularly on the relationship between them. This article will be found on page 622 of the present number.

Secondly, a series of articles will be published, taking opposite sides on the issue that has been defined above. For the opinions expressed in these articles THE ROUND TABLE naturally takes no collective responsibility. At the same time the first two of the series, which are now published under the titles "Untempered Mortar" and "Britain's Role in the World To-day", are the work of writers who have both been for many years members of the ROUND TABLE group in the United Kingdom and who, it may not be irrelevant to remark, are lifelong personal friends. Further articles on the theme will appear in future numbers, some contributed by other members of the United Kingdom group, some, it is hoped, from the groups in the Dominions overseas, and some from writers not otherwise associated with THE ROUND TABLE.

The writers of the two inaugural articles, though neither has seen the work of the other, have, for the sake of orderly presentation of the issues, acceded to a plan proposed to them by the Editor. He has asked that the positive case for organic union shall be stated first—which has accordingly been done by the author of "Untempered Mortar"—and that the companion article

shall be devoted primarily to the considerations adverse to it. In the next number the positive rôle will be allotted to a member of the school of consultative co-operation, who will expound the constructive aspect of their case, and the critical part to an advocate of organic union.

In concluding this introduction to a controversy that may continue over a considerable period, it may be observed that the special glory of British history is that so often the national or imperial genius has been able, after a great debate conducted *à outrance*, to find ultimately a way of harmonizing what have seemed irreconcilable opposites. A famous instance is the experience of the seventeenth century, when, after the conflict between conciliar and parliamentary government, between prerogative and common law, had plunged England and Scotland into fratricidal strife, a synthesis of the two opposed conceptions was at last reached in the form of Cabinet government with parliamentary responsibility. In the same way THE ROUND TABLE may cherish the hope that, after all arguments have been fully and forcibly stated for two views of Empire of which no reconciliation is at present in sight, an ultimate synthesis may at some future date emerge by which their several virtues may be preserved to the Empire of posterity.

UNTEMPERED MORTAR

The Case for Organic Union*

NEWSPAPERS naturally tend to print what readers like, rather than "truths for want of which whole nations fare the worse". The men who founded THE ROUND TABLE in 1910 were not looking for circulation, and proposed to say to each other what was true rather than what was pleasant. Never was the need greater than now to adhere to that practice.

In this twentieth century an orthodox creed has developed nearly as binding on statesmen and journalists of the British Commonwealth as the creed of Communism east of the iron curtain. It reached its climax at the Imperial Conference of 1926, and has found classic expression in the last chapter of *Thoughts on the Constitution* by Mr. Amery, who then represented the British Government as Dominions Secretary. The last chapter on "The Evolution of the British Commonwealth" is valuable as an authoritative statement of the creed generally accepted by politicians. It leaves an impression that the Constitution as reduced to finality by the Statute of Westminster is the highest achievement of political wisdom.

"The system of the Commonwealth, the system of co-operation between nations as nations, is not merely the only one that the Dominions—or for that matter this country—would look at, but is one that covers the whole field of national activities whether conducive to security or to welfare in the widest sense, to the good life in peace or to victory in war."†

The American Constitution is seen in the light of history as a notable achievement in political construction; but its authors advanced no such claim as is here made by the heirs of Disraeli and Joseph Chamberlain.

The words here quoted are typical of numerous speeches and articles uttered since 1926, but especially in the method used to discount any idea that some change more definite than was then proposed may be needed to secure the continued existence of the Commonwealth. The assertion that neither the Dominions nor Britain "would look at" a proposal to put their relations on any organic footing is common form in all such utterances. With two exceptions,‡ every Minister, whether in or out of office, would endorse this statement. Assuming that their own opinion is that of the electorate, political leaders talk and write as though they knew that people at large prize their sovereign status more than the blessings of peace.

In domestic affairs public opinion forms itself. Electors are in touch with the facts of housing and wages, and know what they want. In matters affecting peace or war it is not so. No politician can say whether or no the people will accept compulsory service until some trusted leader has told them that nothing short of conscription will stop the drift to war. They will hear other

* For reasons explained on pp. 519-23, THE ROUND TABLE is not editorially responsible for the opinions expressed in this article.

† Page 143.

‡ Sir Godfrey Huggins and Mr. Hofmeyr.

opinions and then decide on the issue. In no British democracy except Southern Rhodesia has any Minister told his electorate that in his view the British Commonwealth cannot be secured from attack unless there is one authority responsible for the common defence to all its citizens, and empowered to draw on all their resources for that purpose. Are political leaders entitled to say that no electorate "would look at" a proposition which has never been explained, argued and submitted to their decision?

In 1787 politicians from the thirteen American States told Washington that in none of them would public opinion allow their sovereignty to be merged in the United States. He believed them, and opened the Congress of Philadelphia in words which a Prime Minister, had he the courage of Washington, might fitly address to an Imperial Conference.

"It is too probable that no plan we propose will be adopted. *Perhaps another dreadful conflict is to be sustained.* If to please the people we offer what we ourselves disapprove how can we afterwards defend our work? Let us raise a standard to which the wise and honest can repair; the event is in the hands of God."

The Congress followed his lead and drafted a constitution merging the thirteen sovereignties in the United States. But they also provided that this constitution should come into effect, when approved *not* by the State legislatures, but by electorates themselves in at least nine States. To the utter astonishment of Washington the Constitution was approved in nine States within twelve months.

If Mr. Attlee or one of the Dominion Prime Ministers were to say in public to the British Commonwealth what Washington said to the American Commonwealth, are the politicians so sure that none of its peoples "would look at" it?

It is fair to add that journalists are no less assured than politicians that all the nations of the British Commonwealth are opposed to any form of organic union for the common defence. From his articles in the *Sunday Times* one would judge that "Scrutator" is a writer of outstanding ability. In an article published on November 16 entitled "The Commonwealth of Today" he refers to a meeting between the British, Canadian and South African Prime Ministers, Mr. Bevin, Mr. Alexander, Lord Addison, Mr. Noel-Baker and the High Commissioners of Australia and New Zealand. He expresses the hope that this meeting will enable Mr. Bevin to "speak for the whole Commonwealth". "Between the two wars it was a constant source of weakness for British diplomacy that it could not so speak. History might have been different had it been able to." He goes on to remark that at Lake Success all the Dominions voted for the American proposal "to partition Palestine, without making any provision for the burden of enforcement other than, in effect, to throw it on Great Britain". He goes on to deplore that co-operation is equally wanting in economics and defence, and questions whether such vital matters could be adequately dealt with at an informal conference of one afternoon. "When the war ended there ought to have been a full Imperial Conference. It is a thousand pities there was not, and that instead a decision was reached to discontinue them for the

future." Having said so much he is none the less careful to subscribe to the orthodox creed of Imperialism:

"We must beware of trying in any way to force the pace. It is a caution which applies particularly to talk about federalism. One cannot avoid respecting the federalists' intellectual argument; but equally one cannot overlook the Dominions' deep-rooted aversion to it. As things are, to talk of federalizing the Commonwealth does not bring federation nearer. It merely makes more feasible kinds of union recede."

On January 25 he repeated that "talking about federalism" stood "in the way of our realizing more modest but more practicable advance".

"Scrutator" knows, as Mr. Amery knows, that the Dominions have a "deep-rooted aversion to" organic union for their common defence, though the question has never been submitted to any electorate. He goes even farther in his frank admission that the existing system of the Commonwealth is threatened with breakdown; and even hints that it has not saved us from war. But he also goes beyond him in condemning the mere mention of federalism as a misdemeanour. It is that, in his view, which has really prevented practical statesmen from arresting the breakdown. The virtues of iron curtains are prized even west of the Elbe.

On page 144 of *Thoughts on the Constitution* we read: "The federal argument assumes throughout that what creates efficiency in action is the mechanical unity of structure and not the underlying unity of thought and purpose." This means that given an "underlying unity of thought and purpose" no "mechanical unity of structure" is needed. So Washington was talking nonsense when he told the Americans that "another dreadful conflict" could only be averted if they adopted "the mechanical unity of structure" designed by the Congress of Philadelphia. On this subject history confirms the opinion of Washington.

Abandonment of the Imperial Conference

IN the orthodox view the Imperial Conference was, till lately, regarded as the essential instrument of the voluntary co-operation upon which the safety of the Commonwealth is to be based. No reference is made to the fact that time and again when a conference was needed one or more of the Prime Ministers has found the pressure of business in his own country too heavy for him to leave it. This very real difficulty is due to the fact that in this mechanized age national sovereignty gives Ministers more to do than human beings can hope to do in a working day. The only effective remedy is to separate foreign and domestic affairs by applying the federal principle. But the author and his school are so intent on proving that any federal scheme is unworkable that they overlook the fact that the existing system is itself coming to a standstill. In April 1946 Mr. Attlee tried to call an Imperial Conference. Two or more Prime Ministers sent subordinates to take their places. The conference was reduced to informal conversations in Downing Street. There was no official report. An impression was left that no decisions were reached except that in future there should be no Imperial Conference. Prime Ministers found time to attend the Royal Wedding in November

1947; but one or two of them made it clear that they would not attend an Imperial Conference. The author is blind to the fact that the keystone of his arch has crumbled away.

Like most politicians he never misses a chance of quoting the words of the Balfour Report, adopted by the Conference of 1926, which declared that the Dominions are now "autonomous communities within the British Empire, equal in status and in no way subordinate one to another in any respect of their domestic and external affairs, though united by a common allegiance to the Crown and freely associated as members of the British Commonwealth of Nations".

The Conference reaffirmed "the primary responsibility of each portion of the Empire represented at the Conference for its own local defence". The use of this word "local" confronted it with an inexorable question what authority would now be responsible for defending the routes which connect the nations composing this far-flung empire, or, in other words, what authority was now responsible for the defence of the Commonwealth as a whole. This question was briefly answered as follows:

"We went on to examine the possibility of applying the principles underlying the Treaty Resolutions of the 1923 Conference to matters arising in the conduct of foreign affairs generally. It was frankly recognized that in this sphere, as in the sphere of defence, the major share of responsibility rests now, and must for some time continue to rest, with His Majesty's Government in Great Britain."

The words of the Report proclaiming the sovereign equality of the Dominions with the United Kingdom must be known by heart to newspaper readers, so often are they repeated in leading articles and public speeches; but can anyone point to any reference, whether in parliamentary reports or in any newspaper (until after the close of the last war), to these significant words, "the major responsibility [for defence] rests now, and must for some time continue to rest, with His Majesty's Government in Great Britain"?

This persistent failure to quote the vital words of the Report is probably due to the natural instinct of public speakers and writers, noticed in our opening paragraph, to say what their public likes to hear, and to leave what is less pleasant unsaid. Mr. Amery, who as Secretary of State for the Dominions sat in the Conference and signed the Balfour Report, observes this custom of silence. No reader of his pages would guess that the paramount task of defending the Commonwealth as a whole was, after all, left by the Balfour Report where it had always rested, with the old country.

He believes, however, that the Conference of 1926 led the Dominion Governments to pull their weight in the common defence. "On this issue it is enough to say that practical co-operation in defence, largely in abeyance after 1919 . . . developed steadily from about 1934 onwards and contributed greatly to the readiness of the whole Commonwealth to play its part when the world crisis came."*

Observers who were not responsible for the Balfour Report or its after-effects take less confident views. Professor Walter FitzGerald, Professor of

* Pages 136 and 137.

Geography at Manchester, in his book *The New Empire* doubts whether any Dominion made adequate provision even for its own local defence. "In 1939 apart from Britain, no part of the Empire was in a position to undertake its own defence. The weakness of the Dominions and of the Dependencies was especially notable at sea. Australia alone had a more than negligible fleet, yet its heaviest unit was a cruiser of 10,000 tons." So, too, Captain Cyril Falls, an official historian of World War I and Professor of Military History at Oxford:

"It is to be remembered that the declaration of 1926, which closed a historic Imperial Conference, concluded with the statement that, notwithstanding the independence of the Dominions, the defence of the Commonwealth as a whole remained chiefly the responsibility of the United Kingdom. This situation has been modified by subsequent developments, and the modification was acknowledged during the conference with Dominion representatives—not a formal Imperial Conference but a substitute for one—which took place in London in 1946. It was recognized that the United Kingdom no longer possessed the power to carry the full weight of responsibility which it accepted in 1926; the Dominions must take a bigger share in defence. There has never been any suggestion that they have failed to take their maximum share during hostilities, as the events of the two great wars testify; but the excessive share put on the shoulders of the United Kingdom in time of peace involved an intolerable strain during those earlier phases of a war in which all nations, and especially democratic nations, have to struggle painfully to put themselves on a war footing. In addition it entailed grave peril for the Commonwealth in general."^{*}

In the nineteenth century the United Kingdom had borne without question, and had been able to bear, the burden of defending the Empire as a whole. By the twentieth century her resources had ceased to be equal to the task of keeping the Commonwealth out of war. The outbreak of World War I in 1914 was the first result. The British Army was saved from destruction by the speed with which the Dominions, notably Canada, improvised forces and hurried them to France. But the energy shown by Dominion Governments after the war had broken out obscured the fact that the system which left it to the United Kingdom to provide defences strong enough to deter any aggressor from attacking the Commonwealth had broken down. To win in war is only the secondary object of imperial unity. To prevent war is its primary object, as Mr. Amery, like most of our public men, has failed to grasp. And so in 1926 he readily signed an assurance that the United Kingdom would continue to bear this burden, without facing the question whether its means were still equal to the task. Of course they were not, and the first result was that Mr. Baldwin, faced by the Peace Ballot, shirked the task of rearmament, and afterwards justified his failure to warn the electorate of its need in 1935 by saying that, had he done so, he would have lost the election. The second result was Munich, and the third a war which brought the Commonwealth to the brink of destruction.

When in 1942 Japan sank the American fleet in Pearl Harbour, democracies realized that their very existence was at stake. Under the leadership of Roosevelt and Churchill they pooled their resources under one command.

^{*} *The Question of Defence*, by Cyril Falls (Longmans, 1947).

By 1945 they had utterly defeated Germany and Japan. Had they pooled their resources ten years before, at a fraction of the cost, there would have been no second war in 1939. If the British and American Commonwealths and those of western Europe can now pool their resources in peace, no aggressor will dream of attacking them. There will be no third war.

Our author sees that after 1919 Dominion Governments behaved as though the League of Nations could be trusted to keep the peace of the world. So now, after 1945, they once more incline to rely on the United Nations Organization which, as he says "is more likely to endanger peace than to promote it".

"As in our domestic constitution so, too, in that of the Commonwealth *the secret of its working is in the sense of responsibility*. In the one case it is responsibility for the unity and stability of the national life, in the other for the maintenance and development of our whole Imperial heritage. That this sense of Imperial responsibility is not yet fully or equally developed everywhere in the Commonwealth must be admitted. Time is required in order to enable the new conception of our mutual relations to be fully understood."*

He here comes very near to seeing the defect which vitiates our system of defence, but then misses it. In war the sense of responsibility for the common defence rises to flood level, but it ebbs just as quickly when the guns are silent. Except in war, time, to which he looks to develop a sense of responsibility, works in the opposite direction. The crux of the problem is not how to develop our sense of mutual responsibility in war, but how to develop it in peace to a level which can be trusted to prevent a renewal of war.

Unity in Peace and War

IN their struggle for independence the thirteen American States developed a sense of mutual devotion which found expression—on paper—in the Articles of Confederation, under which they were pledged to "an indissoluble union". Under the inspiring leadership of Washington, it sufficed to secure victory against the incompetent ministers and generals of George III: yet no sooner was victory secured than their sense of devotion to the United States began to wane. Time did nothing to develop it, or to enable the Government of the United States to avoid bankruptcy, or stop the drift to a fratricidal war between neighbouring States.

What then was the change effected in 1787 which restored to Americans their solvency, secured them peace at home and abroad and three generations later had created a devotion to the Union so strong that Americans in thousands gave their lives to prevent its disruption? The answer is that the Congress of Philadelphia made the Government of the United States responsible, not to the States, but to the citizens, and also made the citizens responsible for giving the Government means to provide for the general security.

Paradoxical as it may seem, the United States only began to count more with Americans than their several States when they were called upon to elect a Government of the United States and also to pay taxes directly to its treasury.

* Page 153.

Love for our country is bred less by that which she gives us than by that which she asks us to give to her, which in time of war is our very lives. In peace she asks us to give time and money to meet her needs, which are the needs of our fellow citizens. The virtue of responsible government lies in this, that our sense of responsibility to the Commonwealth is constantly developed by exercise. In peace the demands which a Dominion Government makes on its citizens promote in them an ever-increasing sense of nationalism, which finds its expression in slogans like "Canada first". There is no authority which can make demands on Dominion citizens for the service of the Commonwealth as a whole. The result is a growth of Dominion patriotism and a corresponding decline in devotion to the Commonwealth.

The operation of these forces accounts for the curious fact that in no Dominion are the governing classes more opposed to any change in the existing system than in the United Kingdom. The sense of responsibility which the people of these islands feel for the Commonwealth is the product of a system under which they have always been responsible for defending it as a whole. Potential aggressors were never allowed to suppose that they could lay their hands on New Zealand or Canada and not have to reckon with all the forces of the United Kingdom. Such responsibility was inseparable from control. For all final decisions affecting the safety of the Commonwealth the Government of the United Kingdom has remained responsible, whatever our statesmen, journalists, or even the Statute of Westminster may say. Our governing classes are so jealous of their authority, of their right to the final decisions, that they fail to recognize the outstanding fact that these islands no longer command the human and material resources needed to secure the peace of a quarter of mankind. They have never told the taxpayers, to whom they are answerable, that in this era of mechanized warfare the task they are still expected to discharge is beyond their strength, and that in consequence two wars have brought not only the Commonwealth but the whole fabric of civilized life to the verge of destruction. The manner in which our rulers, whether Labour, Liberal, Conservative or official, disguise while they cling to the hegemony they wield is a dangerous perversion of that greatest of all political virtues, responsibility.

For the system of make-believe which reached its climax in the Balfour Report our Ministers are more responsible than those of the Dominions. Their peoples were led to believe that, as sovereign nations, they were still members of the British Commonwealth, responsible with the United Kingdom for the common defence. The fact that the Balfour Report made the Dominions responsible only for local defence and left provision for the general defence to the United Kingdom was kept in the background. Mr. Amery's silence on the matter is a case in point. The Dominion electorates have never realized that while their governments were given on paper all the powers inseparable from sovereignty, the real responsibility for peace or war was left where it had always been, with the old country. In the Statute of Westminster the Dominions were vested with power divorced from responsibility. For centuries the world, and especially the Dominions, were led to think that the task of keeping the peace of the world rested, as by some

law of nature, with the British Isles. In the nineteenth century we were able to bear the burden; that we are now unequal to the task has been proved by the outbreak of two calamitous wars. Yet even to-day it is hard to convince the United Nations, including the Dominions, that the United Kingdom cannot undertake to impose on the Arab world a Jewish policy that in her experienced judgment may lead to bloodshed.

The League of Nations was a conscious attempt to apply to the world at large principles upon which it was thought that the British Commonwealth had developed since the eighteenth century. Authors of the Covenant believed that the British Commonwealth could now be merged in the League which was to be trusted to afford "collective security" to all its member-states. Behind the façade of the League were some wiser heads who felt, rather than said, that the real guarantee of peace still rested with the British Commonwealth, in fact, with the United Kingdom. As time went on authors of the Covenant at Geneva began to realize the impotence of their own creation, and found themselves thankful that their former hope of seeing the British Commonwealth dissolved had not been realized. When the crisis which began in Manchuria and spread to Abyssinia and Czechoslovakia reached its culmination in 1939 the League had broken down. The only barrier left between civilization and barbarism was the British Commonwealth. The United Kingdom had lacked the resources required to prevent the renewal of war, but, under superb leadership, was able to resist the tide of aggression, till the rest of the free world could organize forces by land, sea and air, which at infinite cost to all concerned secured the downfall of Germany and Japan.

Lessons of History

NO sooner was victory in sight than the allied nations were hastening at Dumbarton Oaks and San Francisco to repeat and improve the experiment which had failed at Geneva. The results can already be judged by those who read the reports from Lake Success. To-day the drift to a third war between allies who fought together in the second is more marked than it was in the ten years after the first.

Is it not time that political mentors should turn from their shop-soiled assertions to consider the facts, those of the past, and those now written in letters of fire on the wall before us? Confederations have always failed to provide security from war. The League of Delos led to the Peloponnesian war. The Holy Roman Empire destroyed the very foundations of peace in Europe. The genius of Washington saved America just in time, when Confederation had brought the thirteen States to the verge of bankruptcy and of civil war. The British Commonwealth failed to prevent a world war in 1914. The League to which the nations then hopefully looked to secure their peace did nothing to prevent a second more dangerous conflict in 1939. Yet rulers continue to talk as though the United Nations Organization could be trusted to prevent a third and still more terrible war.

What kind of cement can now be trusted to hold together the walls of peace? The answer of history is clear. An organic union of autonomous states

conceived by the Swiss in the Middle Ages, availed to establish peace amongst peoples speaking in four tongues. It established internal peace for the Netherland States. It saved the American States from the loss of all they had gained by their independence, and made them the richest and most powerful commonwealth on earth. It solved the problems of Canada and Australia and South Africa. And yet we are told by leaders of thought like Mr. Amery and "Scrutator" that any form of organic union must be ruled out as inapplicable to the problems of peace.

We in this country are curiously uninformed of the attitude of thoughtful Americans to the British Commonwealth. On that important subject, readers of this journal should turn back to the article in the last number by an able and well-informed American writer entitled "America's Faith in Europe". To save their time, the key sentences on this subject may be quoted:

"From first to last, Washington policy-makers regard Britain as the key to success of the Marshall Plan. . . . It is felt that the European continent cannot recover without Britain, and vice-versa. But even more important: Britain and the British Commonwealth remain central to American security in the world. For that reason, Washington seeks to do its part to maintain the independence and security of Britain. . . . It is a cardinal point of American defense policy that this network cannot be allowed to fall into less friendly hands. . . . Even the demagogic Congressman can see that Britain and the British nations remain vital bulwarks of American security. And it is equally obvious that several of the world's sorest spots—India and Palestine, particularly—suffer from the withdrawal of Britain's imperial hand. . . . The basic purpose of the Marshall plan is to integrate Western Europe, providing not only a barrier against communism but a powerful attraction for the border states. The strength of Europe—with resources in most respects outnumbering the resources of the Soviet Union—is now the key of the U.S. policy. Not only are the economic and human resources of Europe significant in comparison with Russia, but so are the mental and cultural sources of strength and resistance. There is little or no 'hate Russia' talk in high Washington circles. Fortunately the emphasis has shifted to the constructive level, to strengthen Europe which already at base is extremely strong."

And then the writer closes with an unforgettable phrase: "We are calling the old world into existence to redress the balance of the new."

Is it to be wondered that thoughtful Americans, concerned as this writer is to see that the British Commonwealth is no longer able to discharge the office of constable in Palestine and India, are surprised to find that our statesmen rule out of court the principle of political construction which has brought peace first to small and then to greater nations when applied to ourselves? Our American visitors find that while some British Ministers admit that a closer union of the sovereign states of the Commonwealth may be desirable, all of them add that the Cabinet as such is against it. Till the close of the nineteenth century, the naval power of Britain sufficed to prevent the extension of wars from Europe beyond the seas. As the twentieth century dawned submarines and aircraft had begun to cripple the power of surface vessels to confine war to the coasts of Europe. If at that time the defence of the Empire had been made a first charge on all its resources, human and material, it might have prevented world war for the rest of this century. Two

ruinous wars have altered the situation. Peace can now be secured only by an international union which includes the democracies of Western Europe, Switzerland, France, Belgium, Luxembourg, Holland, Denmark, Norway, Sweden, and Iceland, all or some of them at first. If these democracies pooled their resources for their common defence with those of the British Commonwealth it would not be long till the people of America added their own to the pool. Then indeed the shadow of impending war will be lifted from the minds of men; for peace will be based on foundations that no aggressor can shake. When once institutions in which freedom is incarnate are established beyond question, millions now subject to despotism will begin to covet that freedom for themselves, and to call their souls their own. Despotisms flourish in a world demoralized by fear and that is why despots so dread any movement to remove the fear of war. It must begin with British and European democracies as Winston Churchill has realized. In France it would seem that opinion is now moving in that direction. In the *Sunday Times* of December 21, Mr. O. H. Brandon, its Paris correspondent, writes:

"Although no definite decisions for the immediate future were reached at the last private talks between Mr. Bevin, Mr. Marshall and M. Bidault, it is known that M. Bidault was much impressed by Mr. Churchill's ideas about European federation which the latter outlined to the French Foreign Minister at a private dinner party during the Conference. M. Bidault is likely to raise the question in some of his next public speeches."

Readers of this journal may also recall an attempt in the last issue to answer the question "Does Russia mean War?" by a writer accustomed to weighing his words. His conclusion is summarized on page 423.

"It is very unlikely that Soviet Russia wants now, or will want in the near future, to precipitate war. We know that the Western Powers do not—and will not want to do so. Therefore, the first conclusion for us is to keep Russia in that frame of mind by sustaining our own strength, both as individual countries and—still more—in combination. Division among the Western powers is the one thing which more than any other is likely to cause the Soviet group to conclude that since war is inevitable it had better be now. Unity among the Western nations is the road to peace.

"Moreover, we must not fail to draw the lesson from the Russian exaltation of national sovereignty. Within the Soviet group, Moscow-directed Communism makes sovereignty mean less. Outside it is only a weakening and divisive force; it is in truth that self-destructive element of our society which the Russians see in liberal capitalism. The State is growing, the individual is shrinking; and the first need of our age is a true society of States which will triumphantly deny the philosophy of inevitable conflict and destruction."

The Voice of Prophecy

PROFESSOR HAROLD UREY is one of the physicists who prepared the atomic bombs dropped on Hiroshima and Nagasaki. On November 5 last he met a number of members at the Houses of Parliament, a not inappropriate date and place. He there told them that if war broke out twenty atomic bombs could be launched without difficulty on western America (presumably from Kamchatka), the radio-activity from which would destroy

every human being in that region. Ten thousand such bombs could be easily made and dropped over North America. Such bombs would be used for certain if war broke out. No defence against them is possible. Society can only be saved from wholesale destruction by preventing another war, which can only be done, he added, by creating a world government.

In the ablest book he has yet produced Sir Harold Butler writes: "There is an immense yearning for a gospel which will mobilize the inarticulate forces seeking after righteousness. They are looking for men with a spark of mystical insight who can show the way to the accomplishment of miracles."*

Israel of old was given such men, when their tribes, in a narrower field, were facing problems akin to our own. They, too, had rulers who could not see what dangers beset their path, nor tell the people they ruled how these dangers sprang from their own disunion. One man "of mystical insight" addressed them in words which might well be uttered at this hour.

"Mine hand shall be against the prophets that see vanity: they shall not be in the council of my people, neither shall they be written in the register of the house of Israel; because, even because they have seduced my people, saying, Peace; and there is no peace; when one buildeth up a slight wall, and, behold, they daub it with untempered mortar: say unto them which daub it with untempered mortar that it shall fall: And ye, O great hailstones, shall fall. Lo, when the wall is fallen, shall it not be said unto you where is the daubing wherewith ye have daubed it? Therefore thus saith the Lord God; I will even rend it with a stormy wind and great hailstones in my fury to consume it. So will I break down the wall that ye have daubed with untempered mortar, and bring it down to the ground, so that the foundation thereof shall be discovered, and it shall fall. Thus will I accomplish my fury upon the wall, and upon them that have daubed it with untempered mortar and will say unto you, The wall is no more, neither they that daubed it; to wit, the prophets of Israel which prophesy concerning Jerusalem, and which see visions of peace for her, and there is no peace, saith the Lord God."†

"When the war ended there ought to have been a full Imperial Conference. It is a thousand pities there was not, and that instead a decision was reached to discontinue them for the future."

Does it ever occur to its members that the future peace of mankind now rests in their hands? The rulers to whom Ezekiel addressed his indictment had not before them the pages of history since written in letters so plain that those who run may read. Let them take heed lest a day may come when the great hailstones are falling and children now born may apply to our present rulers this indictment of those who had daubed the walls of their peace with untempered mortar.

* *Peace or Power*, Harold Butler, page 263. Published by Faber & Faber.

† Ezekiel xiii. 10-16 (R.V., with omissions and some marginal readings).

BRITAIN'S RÔLE IN THE WORLD TO-DAY

A CRITICISM OF THE FEDERAL CASE*

THOSE who believe in federal union between Britain and western Europe or between the sovereign nations of the British Commonwealth base their argument in the main on history. At first sight the argument is formidable, because the American leaders who resisted federal union in Alexander Hamilton's age were completely stultified by the event. Since his day, moreover, three great oversea Dominions have acted on his precepts and proved their worth. Does it follow that British statesmen should act upon them either in Europe or the Commonwealth to-day? And can Britain in particular apply them wisely to the very complex task now confronting her? In order to answer these questions it is necessary to appraise the present as well as the past, and to appraise them both justly, because the future of peace and freedom depends upon our answering those two questions aright.

The Historical Argument

LET us first weigh the argument that our problem is in principle the same as that which Alexander Hamilton solved.

The first point to emphasize is that all existing federations have joined together states or provinces or colonies with roughly similar standards and ways of life. In every case the states to be federated had primitive economies, no long national traditions, for the most part no fundamentally different cultures, no great dissimilarity of institutions such as the difference between republics and monarchies, and few mixtures of language or none. In the two unions where settlements of different race and language had behind them some record of inter-racial strife and some deep differences of culture and belief—that is, in Canada and South Africa—the fact of union has not eliminated the struggle for racial supremacy, though it has made an end of inter-racial war. In the United States, where deep economic differences divided North and South, the fact of union did not prevent a fratricidal war.

Internal strains and stresses have still to be overcome in the United States, Canada and South Africa, but every one of the historic federations has produced a vigorous and exclusive national sense which binds the whole together. The strength of their nationalism is indeed a potent bar to any further or wider union which would subordinate their identity and sovereignty to any supra-national restraints. The United Nations organization is not feared in that respect because, like the League of Nations, it is a vast congeries of States, in which all, powerful or weak, have an equal voice. It therefore cannot in any way affect their freedom to follow their own distinctive ways of life. That would not be the case with a federal union armed

* For reasons stated on pp. 519-23 THE ROUND TABLE is not editorially responsible for the opinions expressed in this article.

with all the constitutional powers required for a federal foreign policy and a federal system of defence. It is indeed notable that the nations which have been created by federal union are in the forefront of those most resolute not to merge their sovereignties in any wider union, whatever the arguments from safety for that course.

The conclusion to which we are forced by these considerations is that arguments from history have no decisive bearing upon the present-day problem either of Europe or of the Commonwealth. Ancient nations have at least as much to sacrifice as young ones when they are urged to subordinate their individual sovereignties to that of a federal system in which majority interest and opinion must prevail. They bear no resemblance to the undeveloped provinces and simple primitive economies with which federal union has successfully dealt. The difference between the Protozoon and the Metazoon, between, that is, the living animal of a single cell and that of many cells, is not more distinctive than the difference between primitive colonies on the eighteenth- or even nineteenth-century model and national systems of high development and great complexity like those of modern Britain or modern France. In the former case union involves no serious change in the economy, living standards, social system or internal character of any of the federated States; and colonies in an early stage of growth have no world status or responsibility to think about. In the latter case it may involve changes that completely transform a nation's internal economy and external power—make it indeed an entirely different kind of State, different in itself and different to all who may be connected with or dependent upon it.

A good example, so far as internal conditions are concerned, is the fact that Holland and Belgium, which are neighbours, closely similar in many ways, and occupants of a small area which formed a single State little more than a century ago, are finding it most difficult to proceed from agreement on a common tariff (which they have achieved) to a customs union with a common currency and complete internal free trade. The reason is no lack of mutual goodwill but the simple natural law which compels the nation with the higher standard of life to accept the standard of the lower if the two are to be fused, since standards can be quickly lowered but only slowly raised. Another recent example is to be found in the difficulties attending the devaluation of the franc in France. Examples could indeed be multiplied a thousandfold from every branch of the sensitive economy of a modern socialized State. Alexander Hamilton only just prevailed in the simple conditions of his own time; and he with his acute political genius would assuredly have been the first to recognize that methods sufficient for the problems of America nearly two centuries ago are obsolete and inadequate in ours.

Nor is the complexity of the modern problem limited to the effects which federal union might have upon the internal economy of a constituent nation. In the case of western Europe we are dealing with nations whose responsibilities spread far beyond their own borders and are in some instances world-wide. Britain is the heart of a great Colonial Empire and an oceanic Commonwealth. France, Holland, Belgium and Portugal all have colonial dependencies which are intimately linked with the economy of the parent State.

It is recorded that Alexander Hamilton entirely lacked a sense of humour; but even he must have laughed consumedly at any comparison between his problem and that which confronts British and European statesmanship to-day.

Does Federalism secure Peace?

THERE is a parallel weakness about the argument that federal union is a sure guarantee against war. It is true that it put an end to intercolonial war in Canada and South Africa, though it failed to prevent the civil war between North and South in the United States. But it is not civil war between its own members that federal union in Europe or the Commonwealth will be called upon to prevent; it is war between its members and a mighty foreign Union of an utterly different type. The argument from history is really not applicable to the danger of war which is once more overshadowing the globe, unless it is proposed to federate the American and Soviet Unions into a single State.

Great unions are certainly more formidable to an aggressor than a group of States which can be attacked in detail; but federal union is not the only means of ensuring unity in war, as the British Commonwealth has recently proved, nor can it of its own virtue provide security against unpreparedness for attack or rupture under the strain. It was not union but Abraham Lincoln who saved the American Republic in the last century; it was not union but Franklin Roosevelt and the unfederated British Commonwealth which saved it in this. Nor does it follow that the Commonwealth would have been prepared enough to deter Hitler from war if it had been federated in the pre-war years, when his menace was manifestly coming to a head. Federal unions may choose to be led by Baldwins no less than single States. (This is said with deep respect for a recently departed leader who was great in other fields.) All that constitutional arrangements can do is to make leadership and readiness easier to achieve, provided the constitutional mechanism is not in itself of such a character as to preclude far-sighted preparation and rapid resolve.

It needs, finally, to be remembered that none of the existing federations could have survived external attack in their earlier years if they had not been able to grow securely under the shield of a great World Power. It is one thing to build a federal constitution without fear of aggression from other Powers in a brave, new world with the wealth of an untapped continent to nourish it and a vigorous young population to put that wealth to use. It is another thing to build it under the imminent shadow of war in an old and shattered world whose wealth has been drained away and whose nerves have been frayed by suffering, hunger and fear. The older nations of western Europe are no more self-regarding than the younger ones in other continents which sprang from their loins; but exclusive nationalistic policies commend themselves easily to peoples who are on or below the hunger line and desperately fearful lest the little they still have should be taken from them by world movements and processes which they cannot control. Such peoples interpret life in terms of food and work alone, and they must be won for the defence of freedom in those same elementary terms.

Lack of homes, lack of food, lack of heat, lack of work—those are evils that must be overcome if democracy as we understand it is not to perish. The problem which Europe presents can indeed be solved by no means other than international co-operation on new and vigorous, on imaginative and creative lines; but it bears so little relation to the problems solved by federal union hitherto that little light is thrown on it by argument from the past.

Britain's Foremost Aims

IT is time to pass from these general reflections and to consider federal union as a specific for the immediate practical problems which confront Britain to-day. For her there are five fundamental purposes or aims on which those who believe in federal union, whether in western Europe or the Commonwealth, would not differ from those who regard it as obsolete. These fundamentals are:

1. The cohesion of the British Commonwealth.
2. Intimate and effective co-operation between the Commonwealth and the United States.
3. The reconstruction of the western European countries as liberal and democratic States.
4. The prevention of a third World War.
5. The building up of the United Nations as a world-wide guarantee for the principles set out in the Preamble to the Charter on which that organization rests.

The United Nations come last in the list because, in present conditions, neither the Security Council nor the Assembly can compel or guarantee adherence to the principles of the Charter on the part of all the Powers who signed it two and a half years ago. Everyone now appreciates the reasons. The Soviet Union and many of its satellite States interpret the very words of the Charter in a radically different sense from us, and experience has already shown that the Soviet veto condemns the Security Council to impotence on any issue which divides the major Powers. The world is in fact split between two faiths holding radically different conceptions of the kind of liberty and the kind of peace which should be ensued by the leaders of the human race. These two faiths must come to a *modus vivendi* of some kind if peace is to be preserved; but that will not be possible if we fail to prove that the nations of the free world can combine to assure their own welfare and way of life and also to maintain an adequate system of military strength.

The fourth fundamental, namely, the prevention of a third World War, also manifestly depends upon realization of the first three. Mr. Eden put the argument very succinctly in the speech which he contributed to the Commons debate on foreign affairs on January 22, immediately after his return from a visit to the Middle East. Speaking of the universal fear of war (which had, he said, penetrated to the remotest villages of Arabia) he declared his conviction that there was only one way in which peace could be maintained, and that was by "showing that we could work out our own way of life". To achieve that, the Western nations must demonstrate that they can effec-

tively pool the means of restoring their collective prosperity—a process in which the relations of Britain, western Europe, the Commonwealth and the United States are closely interlaced. Britain, as part of western Europe and of the Commonwealth, has the most difficult course to steer, because her obligations to the two are hard to reconcile and she must do full justice to both. Much, moreover, depends upon the United States, which has hitherto not appreciated the complexity and delicacy of Britain's twofold task. Britain will indeed need all her stores of wisdom if she is to play successfully the very exacting rôle of key-factor simultaneously in western European recovery, in Commonwealth development and in the relations of both with the United States.

Peace, then, depends upon the first three fundamentals, which are unity of purpose in the British Commonwealth, co-operation with western Europe and co-operation with the United States. Peace, and even more than peace; for a new despotism is threatening to eclipse the light of freedom throughout the continent which first gave freedom birth, and war would enhance a thousandfold the human misery on which that despotism counts for success. Would federal union in Europe or the Commonwealth or both help us to make sure of these three fundamentals, or would it not? Britain's will be the decisive answer to the question, because neither in western Europe nor in the Commonwealth would a federation without her have the necessary range or strength. Her position therefore demands analysis.

Britain's Key Position

THE necessity for her leadership in Europe, in close combination with France, is being constantly pressed by her European neighbours and is clearly appreciated in the United States. But her influence and standing in Europe depend very greatly upon the cohesion of the Commonwealth; and she could not hope, even if France were less divided than she still unhappily is, to counteract the onset of the new despotism in western Europe if she entered a Western Union on any terms which seriously reduced her own strength and value by loosening her ties with the Commonwealth. Germany is still a mighty potential force, capable once again of menacing the liberties of western Europe if she took sides, however temporarily, with Russia in the East. We have already seen how that might come to pass; and we must recognize that the awful events which followed upon the Russo-German understanding of 1939 might be repeated in the next few years with even deadlier effect, if Britain were now to sacrifice the enormous moral and material strength which she derives from the cohesion of the Commonwealth.

It is true, of course, that the United States is now a European Power, in the sense that she has undertaken definite responsibilities in Germany and has declared that she will use the whole of her immense resources to defeat any resurgence of the German military cult. But that is not enough to give the liberal forces in western Europe the confidence which they require to revitalize their life. Those forces cannot make good without economic aid from the United States; but they also need in Europe itself the backing of a liberal Power which is the equal of Germany because its population and resources,

though smaller in themselves than Germany's, are firmly joined with those of a wider brotherhood which Germany cannot break. Very recent history shows that Germany will not cease to be a potential danger to the liberties of Europe if her potential power in Europe is not balanced by that of a country which is not only part of Europe but part also of an oceanic system of proven solidarity beyond the range of German attack.

To suggest therefore, as some have recently done, particularly in the United States, that Britain has come to a parting of the ways where she must choose between Europe and the Commonwealth is entirely to misjudge the problem by which she is faced. In order to illustrate the fallacy of that idea and to show that Britain by abandoning the Commonwealth for Europe or Europe for the Commonwealth would be doing the worst thing possible for all three, it is only necessary to go back to those months of crisis, so recent and yet so easy to forget, when the nature of her strength and therefore of her value to Europe was demonstrated in a decisive test.

It is not the case that Britain "stood alone" in 1940-41. The decisive factors which enabled her to hold fast when France succumbed were three. One was her island position; to be overwhelmed like France it was necessary that she should be invaded by sea. The second was the unity of her people; if she had been torn by faction, as France was, she would not have had the spirit which mocked at invasion, defied bombardment and made the whole world feel that she was morally solid as rock. But those two factors would not have saved her without the third, just as the third would not have saved her without the other two. That third was the staunch adhesion to her cause of the whole Commonwealth. It was manifest that in the Commonwealth, which never faltered in its support, she had behind her a world of virile manhood and vast material resource beyond Hitler's utmost reach. Nor was that all; for Canada's staunchness made Britain certain of American aid despite the political difficulties which hampered President Roosevelt at that date. If Canada had been neutral, like Eire, there would have been no land frontier between America and the Commonwealth across which material aid was easy to pass; but even that consideration pales beside the reinforcement which Canada's neutrality would have given to advocates of neutrality in the United States.

Those three factors, then, each of them indispensable but each of them useless without the other two, made England's history in her greatest hour; and they are equally essential to the part which she has to play to-day, though the first, her insular position, has been weakened to some extent by the increasing range of airborne attack. More vulnerable than before, she is more a part of the European continent; but that factor only emphasizes, without altering, the key-position in which she is placed.

Federal Union with the Commonwealth

IF federal union be the solution of Britain's problem so defined, with whom is she to federate? The advocates of federal union are apt to change their ground upon this point, their conviction being that federal union anywhere is better than no federal union at all. But in practice the point must be settled,

and the alternatives are clear enough. They come down to federal union with western Europe or the Commonwealth, since no one advocates federal union with Soviet Russia or China or the Middle East, and no one has yet suggested that Britain should become an American State.

In plain fact, there is only one practicable choice, and that is union with western Europe, since no Dominion is at present prepared to merge its sovereignty in a federated Commonwealth. The key nation upon this issue is Canada; but Canada only illustrates with special intensity a broader fact—that the future of the whole Commonwealth turns upon its relations with the United States. The other facet of that fact is that America itself would find its freedom menaced even unto death if dissolution should write *finis* upon the British Commonwealth.

The influence of these considerations is very great, and it is reinforced by another fact—that national feeling in the Dominions is everywhere intense. Canada and South Africa are definitely against any new machinery designed for the pursuit of a common foreign policy and a joint system of defence. Australia and New Zealand are both dissatisfied in some degree with the machinery which exists, but they show no signs of being ready to merge their sovereignties in a federal system. Neither Indian Dominion, having just achieved sovereign independence, will wish to surrender it as soon as gained to a British super-State. No reader of THE ROUND TABLE in any Dominion will need to be told that Imperial Federation, as it used to be called, is off the political map.

There is, on the other hand, a powerfully expanding opinion both in this country and overseas that co-operation between the nations of the Commonwealth is at present dangerously loose. There may be, and are, great differences of opinion regarding ways and means of preventing the lapse into non-co-operation which is bound to follow from methods of co-operation that give no concrete results; but the growing fear that this may happen is proof sufficient that in one way or another (and these may differ) the Dominions will hold by the Commonwealth if Britain puts the Commonwealth first. They all need the British market, British immigrants and a British monetary system on which they can count. They are all even more deeply concerned than the United States that Britain should play her essential part in building up the freedom and peace of western Europe, which holds the master-key to world peace. They all, moreover, look to their common Monarchy as the supreme symbol of a brotherhood which gives them, even as secondary Powers, a status and a security which would be unattainable in isolation or in the orbit of the United States.

But Britain is the lynch-pin of that brotherhood. It would not continue to exist, if she were to sacrifice her membership of it to any other union and were therefore unable to give it the support which she alone can give and to put its interests in all ways first. Nor would western Europe benefit, since Britain's value to it depends, as I have already striven to show, upon the strength which she derives from her twofold position as part of Europe and part no less of an oceanic Commonwealth.

It follows that Britain, in the free world's interest no less than in her own,

must put the Commonwealth, whatever its constitution, first. Is that a bar to her participation in a Western Union? Let us consider the point.

Federal Union with Western Europe

CLOSE British co-operation in all the measures necessary to put western Europe on its feet is an imperative necessity. For one thing, western Europe cannot recover without recovery in Germany; and the fear that Germany might come to dominate the union, if Britain were not linked with it, is widespread in France and elsewhere. Nor is that fear unreasonable. Germany and a still uncertain Italy contain together a population of over 125 millions. France, with Holland, Belgium, Luxemburg and possibly Switzerland, makes no safe counterweight to it; but with Britain added the countries which have never bowed to dictatorship would feel secure.

Britain's position is, however, peculiar, for she would no longer be a Great Power in isolation from the Commonwealth. It is the Commonwealth which holds that rank; no single nation of the Commonwealth, not even Britain, holds it in its own right. It is therefore only with Commonwealth support that Britain can counterbalance the strength which might once more be mobilized by a European dictatorship. With Commonwealth and American support, however, she can make it reasonably certain that Germany will not be tempted into another Hitler cult. Provided—and this is vital—that she maintains her population and her great industrial strength. Both of these, if providently used with the power of her peerless market to develop the Commonwealth, are essential to ensure a sufficient distribution of manpower and productive capacity throughout the English-speaking world.

The difficulty of combining these indispensables with membership of a federal Western Union is that the complexity of a modern industrial and highly socialized State makes impossible any hard-and-fast division of governmental powers. The needs of defence and foreign policy are now interlaced so closely with such things as the financial, economic and social policy of a highly developed State that control of those two cannot be effectively surrendered to a federal authority with any such reservation of other powers as would guarantee a State's control over its own social policy and economic life.

Realizing that economic reconstruction is western Europe's first need, the United States has urged that Britain should enter a Western European Customs Union. That is in keeping with American tradition and experience; and it is natural that Americans should find it difficult to understand the hesitations which afflict the ancient nations of Europe about it, because they view the question in the light of their own experience. The case for and against a European Customs Union is admirably stated in an article on another page of this ROUND TABLE entitled "American Economic Policy", which shows the most whole-hearted appreciation of the breadth and generosity inspiring the Marshall Plan. It will therefore suffice here to mention certain political considerations which reinforce the purely economic argument and should not be ignored.

Four salient points emerge. The first is that a Customs Union would be unworkable without a federal authority to control currency, financial policy, the direction of capital and competition in industry. Britain's standard of living depends upon these things; if her social policy is to be assimilated to that of Europe, her standard of living must fall. It may do so in any event, but not to the extent or with the inevitability which federation would impose. The second is British control of the United Kingdom market. That is indispensable to Commonwealth development; but a European federation must take all power to use it for the special benefit of the Commonwealth out of Britain's hands. It would, in fact, spell the end of Imperial Preference and all that Preference means in building up a world-wide distribution of strength to guarantee our freedoms and our ideals.

The third is migration. It is essential that Britain should send out British stock to strengthen the foundations of our way of life in the younger British world. This she would assuredly do, if her industrial system were subordinated to a European one, but only at the cost of herself losing population which she could not replace and thus of sinking to a lower level both in her standard of living and in her industrial power. To maintain her strength and standards while exporting virile stock to the Dominions she must be prepared to take of Europe's surplus, as the Dominions and the United States have long done; and that means independent control of her own economic life.

The fourth is the Monarchy, which is the only element in our constitutions common to us all, the essential symbol of our historic unity, the *articulus stantis aut cadentis imperii* by which our moral cohesion is expressed all over the world in the sentiment of millions of British homes. Under federation the Sovereign of the United Kingdom would no longer be the supreme constitutional head of the United Kingdom, unless the other monarchies and republics of western Europe were prepared to waive their different traditions and make him the Royal President of their Union; and in that case he could no longer be the Sovereign of the Dominions. To touch the Monarchy in any way is to undermine our unexampled Commonwealth.

The Conclusion

IT follows from these considerations that if Britain became a State in a Western Union as Virginia is a State in the American one (and that is what federal union would entail), she would forfeit the elements of political and economic power which constitute her main value to both Europe and the Commonwealth. She would be a province of western Europe, and no longer an oceanic Power in her own right; some important part of her industry would shift to areas where production was cheaper and social services less onerous; for the same reason her population would fall and could not be replaced. As a subordinate province in a European Union, she could no longer be a member of the Commonwealth of Nations; and that Commonwealth would cease to exist. The Royal Navy and the Royal Air Force (to say nothing of an Army which has never borne the title of Royal, though many of its corps and regiments do so) would be liquidated. The

fundamental freedoms of the British people would, moreover, come into jeopardy; for with England impoverished and reft of her ancient strength, western Europe would have no bastion from which to resist the onset of a Communist or new Nazi dictatorship.

It is therefore not surprising that Mr. Bevin, who is a realist with ideals, not an idealist without grasp of inescapable facts, spoke carefully in his speech to the Commons on January 22 upon the methods of co-operation with Europe which Britain can most wisely pursue. Here is the most relevant passage in a broad review which has commanded as much praise in America as here:

If we are to have an organism in the West, it must be a spiritual union. While, no doubt, there must be treaties or at least understandings, the union must primarily be a fusion derived from the basic freedoms and ethical principles for which we all stand. . . . It cannot be written down in a rigid thesis or directive. It is more of a brotherhood and less of a rigid system.

That is sound doctrine for both Europe and the Commonwealth. It means that Britain's indispensable co-operation with both and with the United States must be worked out on original and imaginative lines unhampered by constitutional dogmas belonging to another age with a totally different and far less complex problem to solve. If Alexander Hamilton, great master of original, imaginative and practical thought as he unquestionably was, had been here to advise us to-day (as would he were!), there is no doubt that his mind would have reached out boldly to new conceptions and solutions adapted to the hour.

A book upon that subject has recently been published by Sir Norman Angell, one of the ablest living students of world affairs.* This remarkable study deals in detail with American opinion and with the consolidation of the Soviet Union's enormous strength. He concludes that—

Unless some corresponding unity can be achieved by the methods of freedom in the Commonwealth and in the Western World, it is no good our talking about offering an attractive alternative to Communism, because the basis in political unity, achieved in one way by Russia and in a better way by the United States, will not exist. Commonwealth unity need not mean federation. The British have shown greater political ingenuity and adaptability in the field of political devices than any people in the world; or perhaps in history. That political genius should be directed, as a step to a larger internationalism still, to re-shaping alike relations with the Dominions and with the United States.

Western Europe, we may add, is indispensable to the great association on which the future of peace and freedom depends. The opportunity for western statesmanship is splendid, and members of THE ROUND TABLE who share Sir Norman's view that federation is not necessary to ensure the unity of the nations of the Commonwealth, will discuss in later articles what new methods are best calculated to make our co-operation effective as intimately linked but independent States.

* *The Steep Places. An Examination of Political Tendencies.* By Sir Norman Angell. Hamish Hamilton. 8s.6d. net.

AMERICAN ECONOMIC POLICY

THE GENEROSITY OF THE MARSHALL PLAN

THE economic power of the United States is the outstanding fact in the world to-day. On the passage of the Marshall Plan is staked the stability, the prosperity, perhaps even the orderly development of a large part of Europe. It is foolish to minimize our own dependence on it in Great Britain. Our Ministers may protest that their plans are directed to balancing our economy without outside assistance; but their most optimistic forecasts of the extent to which it is hoped to reduce our dollar deficit belie this claim. Nor is the "shortage of dollars", which makes it impossible for us to manage without Marshall aid, a superficial monetary phenomenon. It is rooted in two fundamental facts. For the time being it is only from the American Continent that we can obtain the overseas supplies that are indispensable to our economy; it is only from the U.S.A. that other American countries can obtain the imports that are indispensable to theirs.

In these circumstances, it is well for us and for Europe that American public opinion should have been so quick to recognize the responsibilities which in this, as in other matters, attach to the possession of power. Doubtless the recognition is still incomplete. The Marshall Plan has still to run the gauntlet of Congress. We must expect many things to be said there which will be unpleasing to British and European ears; and we must expect unwelcome alterations to be made in the scheme outlined by President Truman. None the less, it is a remarkable fact that so generous a proposal should have been put forward by the responsible Administration and that the chances of its substantial adoption should be apparently so good. For it is indeed generous to give to other countries, in time of peace, and in time of scarcity, on a scale so large, and with so few "strings" attached. Such action goes well beyond the precedent of the "most unsordid act in history", war-time Lease-Lend.

It is true that the parallel with Lease-Lend is closer than the difference between peace and war conditions may suggest. The proposition that the countries that were resisting the aggression of Hitler's Germany and of Japan were helping to defend the United States formed part of the statutory basis of the Lease-Lend system. The appeal made by the Marshall Plan to-day lies partly in a somewhat similar belief that it would be contrary to American interests that Europe should fall under the domination of Soviet Russia. No one suggested that the operation of the former motive made President Roosevelt's initiative any less enlightened. It would be at least equally unfair to cite the desire to counter the Cominform as a reason for belittling President Truman's action now. There is nothing unworthy in seeking to check the spread of Communism by helping to avert starvation and promote prosperity. Nor is there any danger of Communist régimes in many of the countries, Great Britain for example, which the Marshall Plan is

intended to assist. Thus, not only is the weapon impeccably humanitarian; there is no suggestion in its use of any strategic concentration on points especially vulnerable to Communist attack.

No less unwarranted are grudging insinuations that the Marshall Plan is dictated by economic self-interest, and in particular by a desire to stimulate American export trade. The goods which Europe hopes to obtain by means of Marshall aid are for the most part goods which are scarce in the United States, not scarce indeed in the sense which that word carries on this side of the Atlantic, but in the sense that the American public could readily consume much more of them. From the standpoint of the American economy, nothing would be more convenient than a fall in exports at the present time. If we look ahead, the threat of serious disturbance to the American economy, which is latent in the eventual need to adjust the balance of payments between the United States and the outside world, will be greater the more the United States exports in the meantime. British and European commentators who are addicted to airy pronouncements on this theme would do well to ponder the words of warning written from the American standpoint by Mr. John H. Williams:

"Few economists believe that we can attain a condition of stable equilibrium . . . by using the outside world as leverage to sustain American employment. To pose the problem in these terms is to challenge us to turn our back on it and find the answer to our own problem of employment some other way, as in the end we must."^{*}

One of the most remarkable and praiseworthy features of the plan is the absence of any galling, injurious or inappropriate conditions. It is notorious that free gifts to those in need raise psychological difficulties, and when the parties concerned are nations, these difficulties are particularly great. The plan put forward pays full regard to the natural susceptibilities of the receiving countries, and refrains scrupulously from laying down conditions which could legitimately be resented as an interference with internal policy or national sovereignty. The conditions actually proposed are indeed little more than an undertaking to pursue the objectives, such as increased production, stabilization of currencies and inter-European economic co-operation, to which the sixteen participating nations proclaimed their adherence in the Paris Report. There is nothing exceptionable in the further stipulation that the governments of the receiving countries should pay the equivalent of the sums given to them into a special account in their local currencies, to be used for agreed purposes, such as the reduction of public debt. Some such provision was clearly needed. It should not be overlooked that the Marshall aid will mean not only the free gift of supplies to European peoples, but a commensurate grant of money to their governments. It is manifestly reasonable to stipulate that these governments shall not fritter it away.

A most interesting aspect of the whole project is the initiative taken by the United States in emphasizing the need for greater economic co-operation between the countries of Europe. This was, of course, a prominent

* "The Economic Lessons of Two World Wars", *Foreign Affairs*, October 1947.

feature of Mr. Marshall's Harvard speech; and responsible American opinion is understood to be disappointed at the cautious response of the Paris Report upon this matter. In particular, the manifest scepticism about the possibility of a European Customs Union seems to many Americans to reveal a deplorable narrow and incorrigible nationalism. This is a question of which much is certain to be heard in the years that lie ahead. It is curiously entangled with the other issues relating to the International Trade Charter, the principle of non-discrimination and the system of Imperial Preference. It is in this complex of questions that the chief danger lies of discord and friction between Britain and the United States, and also of a reaction of American opinion against the generous purposes which mark the Marshall Plan. It is here that there is need perhaps for a yet further advance of American understanding both of European complexities and of the international economic problem of the modern world. These issues, therefore, are worth exploring further.

Customs Unions and Non-Discrimination

IT is sometimes said that there is a fundamental incompatibility between the doctrine of European economic co-operation which is asserted so prominently in the Marshall Plan and that of non-discrimination, which the American Government has pressed so persistently in other connexions. The former prescribes special and presumably sustained attempts to develop intra-European trade; and the most practicable means of doing so might well include preferential arrangements in tariffs and other branches of commercial policy. The logic of non-discrimination, on the other hand, is that the extent to which a particular European country should obtain its supplies from other European countries or from other continents should normally be determined by the free play of international price competition; in other words, that there should be no bias in the commercial arrangements of Europe in favour of intra-European trade. In practice, indeed, the swing round of American opinion towards the Marshall project has been accompanied by a growing sense that the principle of non-discrimination is scarcely applicable to the pressing problems of the day and may prudently be placed in cold-storage for the time being.

To any suggestion of fundamental contradiction, Americans, however, have a simple answer which their own history makes it natural for them to regard as satisfactory and convincing. Let the countries of Europe get together and form a Customs Union. Let them knock down the barriers to their trade with one another, and establish a common system of tariffs and import regulations as against the outside world. Let them do, in short, in the economic sphere at least, what the United States have done. Then the principle of non-discrimination will present no difficulty. Such a development would be wholly welcome to the United States. If it were to lead later, as Customs Unions have led in the past, to some sort of political federation, so much the better. The Americans are not moved by any selfish desire to safeguard access to European markets for their own exporters, still less by any jealous fears of the political or military strength of a United Europe.

Doubtless there would be difficulties to be overcome before even the economic goal could be attained. Possibly a Customs Union could only be created by gradual stages during which concessions from the strict letter of non-discrimination would be appropriate and consistent with its spirit. On such matters Europe can rely on the United States to be reasonable and sympathetic provided that the objective of an eventual Customs Union is unmistakably proclaimed and honestly pursued. Why, ask the Americans, should Europe hesitate to go as far as this, unless indeed it is incapable of rising above a particularist and obsolete nationalism.

This reasoning not only satisfies Americans; it makes a considerable appeal to many Europeans, especially, it seems, to Frenchmen. But it does not stand up to critical examination. The advance of technology has doubtless reduced the viability of sovereign States of small or even moderate size, and has thus strengthened the arguments for political federation. It would be a complete mistake to infer that it has become easier to form effective Customs Unions between States that retain any considerable measure of autonomy. On the contrary, the formation of a Customs Union presented far less serious difficulties in earlier and simpler times, when tariffs were the only form of trade impediment and the balance of payments was an unknown problem. To-day, under the pressure of hard circumstances, external trade policy has become one of the key functions of government, impinging directly on daily life. In Great Britain, for example, it is our governmental import programmes which mainly determine the amount of food we can eat, and it is they, together with our export programmes, that mainly determine the supplies of other commodities available for consumption. It is easier to suppose that we might be willing to join in some loose political federation for purposes of defence and foreign affairs than that we should accept an arrangement under which matters like the foregoing were settled by some new, untested supranational authority, towards which we had still to develop a sense of loyalty.

It would be rash to suppose that the conditions will soon disappear which make import control so important and so closely related to the individual's daily life. We may hope in Great Britain to bring our balance of payments to equilibrium; indeed, it is imperative that we should do so without undue delay. But the regulation of imports will be indispensable as a means of attaining balance; and it will remain no less indispensable as a means of preserving balance subsequently. The balance-of-payments problem is not likely to be easy for many years. It is affected, moreover, by an important and insufficiently appreciated change in our internal economic arrangements. The supply of internal purchasing-power is no longer dependent, as it was in the days of the gold standard, on the volume of our monetary reserves. Thus the old automatic regulator which kept the volume of our import purchases within our means to pay for them has been removed; and deliberate regulation must henceforth take its place. The same thing is true of most countries in Europe. It follows that they cannot afford to sign away the power to regulate their imports effectively.

It is true that it might be possible to devise a scheme which appeared to conform to the traditional requirements of a Customs Union by providing

for an assimilation of tariff rates, while leaving the real work of import regulation, as between the parties to the Union as well as against the outside world, to be done as it is so largely done to-day by import restrictions. Even this would not be easy; it would be a clumsy and inconvenient arrangement. Unless there were good grounds, as for the reasons just indicated there could hardly be, for believing that the import restrictions would eventually disappear, it would be essentially a pretence, damaging rather than helpful to the cause of greater European solidarity. In practice, there can be little doubt that the development of intra-European trade could be promoted far more effectively by the more flexible means of preferential and reciprocal arrangements, if only these were not forbidden or discouraged by the inhibitions of non-discrimination.

Imperial Preference

WHEN we pass to the system of Imperial Preference within the British Commonwealth, the relevant considerations are somewhat different. Here we have a group of countries, already linked in a common political association, which despite its apparent looseness has stood the test of two world wars. Between these countries a Customs Union would be an absurdly inappropriate and quite unacceptable arrangement. The heterogeneity in local circumstances requires a corresponding heterogeneity in tariff systems. Yet, as the Ottawa system has shown, it is possible to devise mutually acceptable preferential arrangements, conducive to the development of trade within the Empire.

To these arrangements Americans of course object; indeed, one of the chief motives of their insistence on non-discrimination has been to secure the abandonment of the system of Imperial Preference. During the present year they have moderated their pressure towards this end, and have been content to accept the fairly modest cuts in preferences which are the outcome of the long-drawn tariff negotiations at Geneva. Yet there remains a significant difference between their attitude towards the respective problems of intra-European and intra-Imperial trade. The promotion of intimate trade relations between the neighbouring countries of Europe seems to them a healthy and desirable objective; they agree that it would be unfortunate if this were to be obstructed by pedantry about non-discrimination; and they would be ready to consider sympathetically any expedients for getting round this difficulty. On the other hand, close trade relations between the countries of the British Commonwealth seem to many Americans an unnatural development, savouring of "Imperialism", injurious to United States interests and conflicting in some of its aspects with the manifest destiny of the economic unity of the American Continent. Hence the continuing, even if moderated, pressure under which we have agreed not to increase any Empire preferences in any circumstances and to cut many of them forthwith.

The time has perhaps come when British friends of Anglo-American understanding may reasonably appeal to Americans to reconsider their attitude upon this matter. For solving the formidable problem of the huge disequilibrium in the international balance of payments, imperial preferences

are a tool quite as appropriate and indispensable as import regulation by individual countries, and less restrictive. The monetary arrangements of most Empire countries are linked together in a common system which we used to call the sterling area and have now rechristened "the scheduled territories". For the protection of the British gold reserve, it is no less important that Australians or Jamaicans should limit their dollar purchases than that British residents should limit theirs. What would be gained by requiring them to limit equally their purchases from Great Britain and elsewhere in the sterling area? As present difficulties illustrate, much the same considerations apply, though in a more complicated way, to our trade with Canada. In view of the magnitude of the dollar problem, the maintenance, and where desirable the extension, of the system of Imperial Preference could do no real injury to American export trade. On the other hand, to cripple or restrict that system must make it more difficult for us to maintain a reasonable standard of life without further aid. Once again, it would be rash to assume that these considerations are of only short-term relevance.

Our common interest in an orderly solution of the balance-of-payments problem thus makes it reasonable for us to ask Americans to revise their attitude towards Imperial Preference. Wider considerations are also involved. Hitherto, it is fairly clear, American opinion in its approach to world problems, though predominantly friendly to the British people, has been less friendly to the institution of the British Empire, which it has tended to regard as an illiberal anachronism, the dissolution of which would redound somehow to the advantage of the common man. This is another judgment which Americans, observing the disconcerting course of events in India, Palestine and elsewhere, may now perhaps be in a mood to reconsider.

A hundred years ago Great Britain occupied a position in the world somewhat similar to that held by the United States to-day—a position of assured pre-eminence which, as we surveyed the misfortunes of less happier lands, confirmed our natural pride in our own traditions, institutions and ideas. The besetting weakness of a people so placed is a disposition to prescribe those traditions, institutions and ideas for universal application. Certainly this was the disposition of Victorian John Bull, whom Bagehot once satirized as saying: "Lord, what fools these foreigners are. Why can't they have King, Lords and Commons as we do?" We incurred in consequence a widespread unpopularity; and our influence in promoting the liberal and humanitarian causes we had genuinely at heart was diminished. Fundamentally similar is the attitude of the Americans to-day in denying all virtue to the British Empire because it is a polity of such a different sort from theirs, and in disputing the need for any middle course between a Customs Union and non-discrimination, because nothing else was needed for their own development; in failing to appreciate in short that it takes all sorts of institutions and ideas to make a world. But it is not too late for them to learn from the warning of our example. Adaptability and quickness to learn, as well as generosity, are among the most valuable elements of the American tradition. Never were these qualities displayed more impressively than in the Marshall Plan.

NEWFOUNDLAND LOOKS AT HER — FUTURE

THE QUESTION OF FEDERAL UNION WITH CANADA

NEWFOUNDLAND is at the moment in the throes of a fierce argument as to her future form of government. When the Imperial Government in 1933, at the suggestion of the Amulree Commission, and with the concurrence of our own Legislature, suspended our old common-law or prerogative constitution (for we never had a constituent act like the British North America Act, 1867, but built our alleged Dominion status on the old Crown Colony documents) it was laid down that when we again became self-supporting, Responsible Government should, on the request of the people of Newfoundland, be restored.

This obviously involves the further question whether a state of self-support means a merely temporary state or a state likely to continue; and self-support surely means economic self-support, not budgetary self-support, for a budget may be balanced while the people starve. Here comes in the first problem. We have profited greatly by the war, carrying few burdens, benefiting by the enormous expenditures on the United States and Canadian bases, collecting, largely it must be said by means of beer-shops, night clubs, buses and lodging-money, our quota from the pay of the innumerable service men stationed here, and by more normal methods from the remittances home of our own men in the services. Our products have sold for extraordinary prices. The direct taxes on the profits of our business people and the *ad valorem* customs duties based on inflated world prices have swelled our revenues to an unprecedented extent (Total revenue 1938-39, \$11,200,000; 1947-48, probably \$40,000,000); and our surplus to nearly \$30,000,000. Our people have refitted themselves after the depression and put aside \$100,000,000 in savings. But the future still remains obscure. Our paper-mills have expanded somewhat; we have developed good beginnings of a frozen-fish trade to the United States; services to airports and to the United States bases bring some employment; but our basic trading situation has altered little as compared with that of pre-war years.

Essentially Newfoundland is a trading and fishing station. Its soil and waters cannot feed or clothe its people directly, save perhaps a few thousand on the level of our late Indians. Its advantages of proximity to the fishing-grounds have been reduced by steel and steam and diesel power. We still import practically everything we eat, wear and use, and export practically everything we produce. Few countries, if any, are so utterly at the mercy of conditions in the outside world as Newfoundland is, and has always been. Since prophecy went out with Malachi, we can have little notion of our future prospects; and perhaps the leaders of the greater nations, to whom we are as a kitten among lions, would be glad at the moment to have the

views of Malachi or of someone equally competent. This much is certain, that if there comes a depression analogous to that which came two or three years after World War I, with the disappearance of profit-making conditions and a drop in dollar prices, our assessors' and *ad valorem* customs revenues could shrink like snow in the sun; and our war-time nest-egg of cash will not last for ever.

The National Convention

HAVING these obvious facts in mind, the Dominions Office evolved the idea that we should have a National Convention whose duty it was to be

"to consider and discuss among themselves as elected representatives of the people of Newfoundland the changes that have taken place in the financial and economic situation of the Island since 1934, and, bearing in mind the extent to which the high revenues of recent years have been due to wartime conditions, to examine the position of the Country and to make recommendations to His Majesty's Government in the United Kingdom as to possible forms of future Government to be put before the people at a national referendum."

The public did not take very great interest in the election of the Convention and the vote was light; in fact in several districts a self-nominated candidate dashed in at the last moment and was elected unopposed so that there might not be a blank file in the ranks, which numbered forty-five.

We must suppose that the Dominions Office (as it then was) envisaged the Convention as a sort of large Royal Commission, which would dispassionately evaluate the position of the country and the merits of possible future forms of government. And it is apparent that the then Secretary of State, when he spoke of "forms of government", must have supposed that the Convention would consider, and perhaps choose, a half-way house among the endless varieties of government which our Empire spreads before us. He even sent us a professor from Oxford qualified to explain all these to the Convention. But this gentleman, after sitting patiently for a long time and answering a couple of irrelevant questions, departed to his own place; for it was apparent from the outset that the Convention was interested in two things only, the return to pre-war Responsible Government or the continuance of the appointed Commission of three Newfoundlanders, three Englishmen and the Governor which has directed our affairs since 1934. Mr. P. J. Cashin, a former politician, who was Minister of Finance some twenty years ago, and who had been living in Canada for some years, returned to Newfoundland and broadcast weekly for a year before the Convention in favour of Responsible Government and against the Commission form. He objected to holding a Convention at all; he wanted the immediate return of Responsible Government. But, since there was to be a Convention, he stood for it, was elected as one of the six members for St. John's and at once opened with his artillery in support of his favourite theme.

Heavy counter-battery fire, however, came almost at once from another quarter.

We all know—we have always known—that sooner or later we must

yield to the centripetal force of the continent whereof we form a part. The British North America Act of 1867 provides a place for us in the Dominion of Canada, into which we can be inserted by a mere Order in Council of His Majesty. We took part in the Confederation discussions prior to 1867. It was an accepted thing that we were going in with the rest. But some of the merchants and political leaders of that day did not wish it; and they organized a party to fight Confederation. Professor A. M. Fraser, of the Newfoundland University College, in the historical section of the book on Newfoundland cited below, attributes their victory in the election of 1869 largely to the leadership of Charles Fox Bennett:

His election manifesto was a curious compound of fact and fiction. In it he marshalled all the logical arguments against confederation which had been employed by Glen and Hoggset in the great debate in the House. A born master of the art of propaganda, he did not scruple to play on the fears and passions of the ignorant section of the electorate. He denounced confederation on the ground that it would compel Newfoundlanders to lay down their lives in defence of "the desert sands of Canada", although he must have known full well that the Dominion had given a virtual pledge to the Newfoundland government that Newfoundlanders would be exempted from military service on the mainland. He terrified the fishermen of the outports by asserting that the absolute powers of taxation conferred on the Dominion legislature would enable Canada to tax their boats and gear, and even to impose an export duty on their fish, although he knew that the Carter Government had fully provided against the possibility of any exceptional tax on Newfoundland's exports. He frightened the St. John's merchants, most of whom were already opposed to union, by conjuring up the grim spectre of Canada's commercial competition. He even worked upon the ancient Irish hatred of the Union of 1801 by likening Newfoundland's proposed confederation with Canada to that ill-starred partnership between Great Britain and Ireland. Bishop Mullock, the one man whose immense influence with all classes might have availed to counter this insidious appeal to sectarian bitterness, had died early in the year. His untimely death was a fatal blow to confederate hopes in the Roman Catholic constituencies, all of which returned anti-confederates in the 1869 elections. The new life which Bennett's dynamic personality infused into the anti-confederate movement made it irresistible, and the general election resulted in the return of his party with a majority of seventeen to five.

So much for the politics of the affair. But in fairness it must be added that at that day the attractions of the infant Dominion were perhaps questionable. As Fraser concludes: "Subconsciously Newfoundlanders turned again to London rather than to the new and untried Dominion Government for support."

Between 1886 and 1895, once again, we being then in some financial distress, there were approaches to Canada; but the negotiations fell through at a final conference in 1895 on the matter of a sum of money which looks trivial to-day; and nothing came of them.

The Delegation to Ottawa

IN view of all this, persons looking to the future could not but bring up again in the present Convention the idea of Federal Union with Canada; and brought up it was. Mr. Joseph R. Smallwood, a journalist of dynamic

energy and industry, and member for a northern district, proposed a delegation to Ottawa to investigate the question.

The first reaction in the Convention was an angry one; harsh words were exchanged. A small majority, trained in anti-Confederate doctrine from their cradles, rejected the idea of an approach to Ottawa. The motion that a delegation from the Convention go to Ottawa to explore the matter was set aside for the moment. An alternative mission to London was suggested, and was appointed, and went; to whom Lord Addison said briefly just about what it was obvious he would say, and they came back in short order. Some of them apparently tried to be tough with him, and the chairman and another delegate dissociated themselves from the attitude of their colleagues.

Then, as was inevitable, Mr. Smallwood's proposal came up again; and the Convention eventually voted to send a delegation of seven to Ottawa. It went, and sweltered there for three months of a torrid summer, conferring occasionally in plenary session with seven of the principal Canadian Ministers headed by Mr. St. Laurent, and most of the time with Canadian civil servants, in the endeavour to work out financial positions which could probably have been better handled by a preliminary mission of our own civil servants. Rumour says that the main bulk of the work was done by the Secretary of the Newfoundland Delegation, Mr. Smallwood, while his opposite number was Professor R. A. Mackay, formerly of Dalhousie University, now of the State Department at Ottawa, and editor of a recent authoritative work on Newfoundland by several hands published by Chatham House.*

The delegation had no powers, it could not negotiate; but it could and did "explore the question whether an equitable basis could be found for the union of Newfoundland with Canada", which did just as well. The anti-Confederates made various efforts to get it back, but it would not come. Eventually it finished its work and returned; and a little while after it had returned there came to the Governor, from Mr. Mackenzie King, the specific offer which some had hoped for and some had feared; and the fat was in the fire.

Canadian Terms of Confederation

THE terms offered by the Prime Minister of Canada may be outlined shortly as follows:

1. Newfoundland Labrador will remain part of the Province of Newfoundland. This is important, for it appears to contain valuable iron deposits and water powers.
2. All Canadian public services will be extended to Newfoundland.
3. Welfare services will likewise be extended; these include Children's Allowances (we have none now); Old Age Pensions (much larger than our present ones); Blind Persons' Pensions; Unemployment Insurance; Sick Mariners' Benefits; Housing Assistance.
4. Our public services of a Dominion character will be incorporated with those of the Dominion, e.g. Customs, Post Office, and many others. In particular Canada will relieve us of the Railway and the Gander Airport, both, financially speaking, liabilities rather than assets.

* *Newfoundland*; Oxford University Press, 1946.

5. Canada will assume our British-guaranteed mainly external debt of about \$72,000,000, leaving us with a debt of about \$10,500,000 only (against which there is a sinking fund of over \$3,000,000).
6. One-third of our surplus of, say, \$30,000,000 will be set aside for current emergencies; the balance will remain at our disposal.
7. We shall receive subsidies on much the same scale as other provinces (this summary statement covers some complicated alternatives) together with a transitional grant starting at \$3,500,000 a year for three years and then tapering down to nothing after ten more years.
8. Our position is to be re-examined by a Royal Commission within eight years with a view to additional financial help if found necessary.
9. Appropriate defence units will be maintained in Newfoundland, including a revived Newfoundland Regiment.
10. The province of Newfoundland will retain its own natural resources on the same basis as other provinces.

It is noted that children's allowances and the Dominion share of old age pensions together would probably amount to about \$10,000,000 a year, a remarkably convenient sum considering that there have been years during the great depression when the total return of our codfishery did not amount to that sum. (The reader must not, however, think of Newfoundland in the old terms of codfish alone; we have now a great paper industry and substantial mines.)

These terms appear generous, and it is argued by the pro-Confederates that the acceptance of them would be greatly to the benefit of our people. The arguments seem to be: first, that the great majority of our requirements can be had from Canada, in which case they would come in free of duty; secondly, that the profit percentage or mark-up on the invoice cost would be less if there were no duty or a reduced duty; thirdly, that in so far as we might continue to import from countries other than Canada, the Canadian rates of duty on goods from outside Canada are on the average much lower than our present rates; fourthly, that we should benefit from Canadian price controls, instead of being a foreign market compelled to pay uncontrolled prices; and fifthly, that if Canadian National Railway freight rates were projected to our ports, on the assumption that the Canadian National Railways incorporate our railway, the through freight rates from supply points in Canada would be much reduced. The cost of living in Newfoundland is very high indeed; and any reduction therein would be more than welcome.

Factional Debates

ALL this the Convention, now in being for a year and a quarter, is debating with considerable acrimony and partisan feeling, and, it must be admitted, with but a very hollow pretence of impartiality. The atmosphere is that of an old-time party contest. As an example, at the last session before Christmas an advocate against Confederation made a long attacking speech, and then a number of anti-Confederates walked out, and Mr. Smallwood, who as Secretary of the Delegation to Ottawa is in charge of the pro-

Confederate case, was without a quorum before which to reply. He did not scruple to say that this was a device to leave the people with a one-sided view to think about over the vacation. With such an atmosphere, and it has been much the same since the beginning, it is hardly surprising that the Convention has lost the respect of the people. These, to do them justice, are thinking very seriously about the future. They do not care what the Convention members want; they desire information to help them to decide what they shall do at the referendum. And the proceedings of the Convention have strengthened the feeling in many minds that if this is politics in the old-time style, they want no part of it.

All this makes the Chair no easy seat. Mr. Justice Fox, the first chairman, died suddenly much lamented. The Government then decided, to the great relief, we may conjecture, of the other judges, to change the Act and allow the Convention to elect a sort of Speaker from among its own number. It elected Mr. F. G. Bradley, K.C., a former Solicitor-General, who was sitting for a northern district. He presided for some months, and headed the delegations to London and Ottawa. From Ottawa he refused to bring his delegation home until their work was done, notwithstanding angry telegrams from a substantial body of members; for the vote in the Convention against Confederation seems to be about three to two. After his return from Ottawa, he would seem to have got wind of a conspiracy to pass a vote of some kind against him, and this he defeated by walking out of the chair the moment the mover of this still unknown motion opened his mouth. The Government then, casting round, called upon Mr. J. B. McEvoy, K.C., a well-known lawyer, and he still occupies the chair at the time of writing, though he publicly threatened resignation over the Christmas incident.

When the Convention rose for Christmas, the debate on the Canadian proposals was in full swing, and no very clear point had as yet been made against them except an allegation that we should have to raise a lot more money in taxes to close the gap between provincial revenue, as worked out by the delegation and the Canadian civil servants, and provincial needs.

Elements in Public Opinion

OUTSIDE the Convention some definite anti-Confederate positions can be recognized.

The commercial community are concerned about the expected strain of Canadian competition. It is feared that powerful Canadian chain-stores may enter the field. An agency of the great American store, Sears Roebuck, has appeared in our midst; and it is said that one of a Canadian chain is likely to appear soon. They also fear the destruction of the small protected factories in St. John's and elsewhere in which the trade is interested. Many people consider that these could not survive Confederation; and this might well throw out of employment about 1,000 men and 650 women in the capital. Whether the public would then get the imported product more cheaply we do not know. Then again it is argued that in the past we have been able to play off suppliers of goods in U.S.A., Canada and Great Britain one against

the other; whereas in Confederation we should be enclosed by the Dominion tariff. But the Dominion tariff is on the average much lower than our own.

A good deal of fear is expressed of the Dominion Income Tax. Here certain classes would undoubtedly pay more. Under the Canadian Acts the scales are weighted against the bachelor. (Chorus of married men: "Serve him right.") On an income of \$1,000 he pays \$29 in Canada, nothing here; on \$2,500 he pays \$320 in Canada, \$135 here. And the married man without children pays, for example, on \$2,500 a tax of \$170 as against \$45 here. On higher incomes the tax is much heavier; the single man at \$5,000 pays \$835 instead of \$360, and the childless couple \$670 against \$270. But the family man fares better, because of his exemptions and children's allowance (an average of about \$72 per child up to the age of 16, with some modifications). With three children the married couple are still \$6 in pocket when their income reaches \$3,000 a year; while at \$1,500 a year they are \$216 in pocket. The masses and the lower middle classes have nothing to fear; but the bachelor and the well-to-do classes will pay much more heavily. For example, people with \$5,000 and three children will pay \$394 against \$189 at present. How far a decreased cost of living will offset this it is hard to say at this stage. There should certainly be some decrease.

The argument is raised that any new condition which impaired the position of the merchant class would have repercussions on the fishermen whom they finance. This may be so; but somebody must still be in existence to finance the fishermen of Nova Scotia, Gaspé and Lower Quebec. It may well be that the commercial community is alarmed beyond necessity.

The Question for the Referendum

AS these words are written the Convention has closed, after unanimously recommending that extension of Commission Government and return to separate Responsible Government be choices in the referendum, and rejecting by 29 votes to 16 a motion that confederation with Canada be a choice. The decision now rests with the Secretary of State. He must know well that there is a large party for confederation; there were prompt and angry reactions from the outports against the attempt to deprive them of this third choice. He is in no way bound by the recommendations of a majority of the Convention, or indeed of the whole Convention; nor should the Convention usurp the right of the people in the matter of choice. It is hardly thinkable that Canada's offer can be kept from the people.

And which of the three contesting forms of government the public will choose no one can say; for the silent voter, as usual, will swing the referendum. Rumour says that St. John's and its environs, which was perhaps more thoroughly soaked in the old politics than other areas, and is most subject to commercial domination, is likely to trend to separate responsible government. It carries about a quarter to a third of the vote. Rumour says also that the populous northern areas are likely to trend strongly towards a continuance of the Commission (if the Secretary of State will allow it to continue) on the theory of not rocking the boat. Rumour says also that the south and

west coasts, which are nearer Canada, are strongly for federal union. But opinion is not uniform or settled anywhere; and the bulk of the public has not made up its mind. At present it is studying the Ottawa proposals with lively interest. And, at any rate until Mr. Smallwood started his exposition of the advantages of federal union, the public was condemning the Convention for failure to give it guidance, and for substituting partisanship for impartial enquiry. Meantime merchants and fishermen are worried about the sterling exchange situation as it affects our European markets; and Mr. Duplessis is grumbling aloud because we own much of Labrador and Quebec wants it, or so he says; though whether this is done to frighten us or to annoy Mr. King does not appear. We do not take it very seriously. The Progressive-Conservatives in Canada said in the party convention that they would welcome us; our adhesion is probably not a party question in Canada.

We are not so foolish as to attempt a forecast of the result of the referendum when at last it comes about. There are heavy forces against Confederation. The vested interests do not want any change which may, and probably will, reduce their very comfortable profits. Those ambitious in politics appear to feel that to be reduced to the provincial level would cramp their style. And there are always the sentimentalists who think their rocky island is the finest country in the world and that all its neighbours are dying to grab it for their own advantage. On the other hand, our people have been much stirred up by their war-time increase of contact with the outside world. They are vastly better informed than they were in 1869 or 1895. The book on Newfoundland referred to says that there were 25,000 Newfoundland-born persons in Canada at the last census; that doubtless means 100,000 if we include their children. Our contacts with Canada, through banks, through business, through universities and schools, increase every year. She is to-day our principal source of supply. Our Methodist Church has for half a century formed part of the Methodist Church in Canada, now incorporated in the United Church of Canada, and last summer the Church of England Diocese of Newfoundland resolved to join the Anglican General Synod of Canada. The Papal Legate to Canada has long been accredited also to Newfoundland. And our fishermen's and workmen's wives will think twice before refusing the handsome children's allowances, paid from Ottawa, which are a central point in the Confederate argument. Drs. Mackay and Saunders, in the economic chapter of the book on Newfoundland already cited, observe (p.23):

"Possibly because the standards of living of the lower income groups* in Newfoundland are so desperately low, the contrast between the many and the few in Newfoundland society is more glaring than almost anywhere else north of the Rio Grande, except possibly in the deep South of the United States, or in derelict areas such as former mining Communities."

These "low-income groups" may feel that any change is for the better.† Newfoundland,

February 1948.

* This statisticians' periphrasis for "the poor" is the language of the authors quoted, not of THE ROUND TABLE.—*Editor*.

† See also page 624.

THE GOVERNMENT OF BIZONIA —

WESTERN GERMANY SINCE THE CONFERENCE

THE most surprising thing about the London Conference was not that it was a failure, but that anyone should have thought that it would be a success. The respective positions taken up by the Russians on the one hand and the Americans and British on the other, at the previous session of the Conference in Moscow, revealed substantial differences in the approach to the German problem. The Russians again repeated their demands of \$10,000 million of reparations. The British repeated their claim that there should be no exports from current production until a balance of payments for the whole of Germany had been achieved, and demanded that the Russians should share in the past and future deficit financing of the country as a whole. The Americans closely followed the British line, though Mr. Marshall hinted that he might be prepared to make some concessions in regard to current deliveries. On the political side, it is true, some progress towards agreement was made. It was clear from the discussions, however, that agreement on the general principles covering the future political constitution of Germany meant nothing so long as the all-important steps required to make economic unity a practical reality remained undecided.

For these fundamental differences in March to have given place to anything like a working agreement in November one would have expected to have seen signs during the intervening period of some change in the attitude of East and West on these disputed items—some concessions made on both sides which displayed a genuine desire for closer co-operation. But there were none of these signs. On the contrary, the relationship between the Russians and the Americans had become more strained. Russia's critical attitude towards the Marshall Plan proposals were shortly followed by the creation of the Cominform, with the openly avowed intention of doing everything possible to defeat them. The Russian press continued to pour forth streams of abuse at the Western Powers. Marshal Sokolovsky continued, in the Control Council, to make heavy and unsubstantiated attacks upon the Western Zones. Speeches by statesmen of the Western Powers contained more open and direct criticisms of Soviet methods.

Small wonder, therefore, that the London Conference produced no results. Except for further general statements, in which each of the four Powers supported the principles of political unity, the atmosphere steadily deteriorated, and what was referred to in the press as the most important discussion of the year drew rapidly to a close with tempers more strained than on previous occasions.

Three months have gone by since the Conference came to an end. It is now easier to take stock of the present position and to assess the probable results of the failure to reach four-Power agreement.

The creation of Bizonia, under the first Fusion Agreement of December, 1946, was interpreted by many as the first clear indication of a breach between East and West. The British and American Governments took pains to show that this interpretation was wrong. Membership of the club was open to the other two Powers at any time, provided they accepted the club rules. Those rules were no different from the provisions of the Potsdam Agreement. The economic structure of the new Bizonia was modelled almost exactly on the economic principles of Potsdam. The two Military Governments adhered steadily to quadripartite decisions previously taken on such important matters as the level of prices and wages. Every effort was made to secure four-Power agreement to the adoption of policies long overdue, which would create a basis on which the economy of the new Germany could be re-erected. The patience of the two Governments in the face of constant Russian obstruction was astonishing—probably unwarranted but certainly understandable. With the gradually widening breach between East and West it was impossible not to regard Berlin, a place where all four Powers were in day-to-day relationships over a wide political, social and economic field, as the one centre in which reconciliation might be effected. If agreement could be reached there on Germany it might gradually widen to embrace other subjects and areas of dispute, so that eventually a working understanding could be negotiated between the two conflicting ideologies. But if quadripartite government were to break down the locus for negotiations between East and West would disappear, and a drift might set in which would eventually lead to a third World War.

It was clear by the end of 1947 that this policy of forbearance on the part of the British and American Governments was producing no results. On the one hand, the Russians made no attempt to co-operate with the Western Powers: on the other, the administrative structure introduced into Bizonia, being so designed as not to prejudice quadripartite unity, was inadequate to deal with the tasks facing it. The situation could continue no longer in this unsatisfactory condition, since during the year a new factor—the Marshall Plan—had appeared upon the scene.

Administrative Corollaries of the Marshall Plan

THE Marshall Plan was of great significance for Germany. Since the end of the war the western European Powers had tended to look upon Germany as a country which had to be subjugated militarily and economically. Her pre-war industrial development had been used and developed for war purposes. Steps had to be taken to ensure that this did not occur again. But during the Marshall discussions in Paris this negative attitude, for the first time since the war, gave place to a positive aim. It was recognized that a viable Germany was indispensable to a prosperous western Europe. In fact the success of the Marshall Plan depended to a large extent on the speed of the recovery of Germany. It followed, therefore, that if the Russians were not prepared to agree to the immediate introduction of practical steps necessary to achieve the economic unity of Germany as a whole, the British

and American Governments had to act unilaterally in western Germany in order to protect the Marshall Plan.

Since the breakdown of the London Conference the first steps have been taken by British and American Military Government towards the creation of a workable administrative system. This reorganization takes the following form. First, the Economic Council (*Wirtschaftsrat*) has been doubled in size. In addition to the existing 52 members, a further 52 have been appointed—the latter being chosen by the various *Landtage* on the basis of 1 for every 750,000 of population, and in proportion to the division of political opinion in the *Land*. Secondly, a Land Council for the Combined Area (*Länderrat für das vereinigte Wirtschaftsgebiet*) has been formed, consisting of 16 members, 2 from each *Land*. The *Land Council* operates as a Second Chamber and has the right to veto a Bill within fourteen days of its passage by the Economic Council. This veto can, however, be overridden by an absolute majority of the Economic Council, while amendments introduced by the *Land Council* can be accepted or rejected by a simple majority of the Economic Council. The *Land Council* also has the right to initiate legislation on all bizonal matters other than those of taxation or appropriation funds: such legislation can be passed, amended or rejected by a simple majority of the Economic Council. Thirdly, an Executive Committee has been set up. The Chairman of this Committee is elected by the Economic Council, his appointment requiring the confirmation of the *Land Council* and the approval of the Bipartite Board. The Economic Council also elects the Directors of the six administrative Departments—Economics, Food and Agriculture, Transport, Finance, Telegraphs, Posts and Communications and Labour. These are political appointments, but each Director has a non-political deputy appointed on the basis of his technical qualifications. Fourthly, provision has been made for a system of bizonal Courts, primarily for the purpose of settling disputes between the Economic Council and the *Länder*. Fifthly, a Union Bank for the Combined Economic Area (*Länder Union Bank*) has been set up. Its powers for the time being will be limited, but it is eventually to be responsible for the issue of currency and foreign-exchange control.

A reorganization has also taken place in the Allied administration. While control over the German administration is still exercised from Frankfurt by a Board presided over by joint British and American Chairmen, the Allied departments for which they are responsible have been fully integrated, half being headed by a British Chairman with an American deputy and the other half *vice versa*. The Joint Export-Import Agency comes outside this arrangement and is responsible to the Bipartite Board in Berlin, which is presided over by General Robertson and General Clay. The Joint Export-Import Agency is further distinguished from other Allied bipartite bodies as a result of the new Fusion Agreement which was signed on December 17, 1947, in Washington. The Chairman of the J.E.I.A. is an American with a British deputy, and has a board of six (three American and three British). Decisions on disputed items are taken by majority vote. The votes of each Group are allotted in proportion to the contribution of the respective Governments towards the provision of goods for the German population out of

appropriated funds. Control over the policy of the J.E.I.A. therefore lies with the Americans.

At first sight these steps seem reasonable enough. The creation of a bicameral system with defined powers is a great improvement over the old Economic Council and Executive Committee. A High Court to settle disputes between the Economic Council and *Land* Governments is an essential piece of machinery, without which the Economic Council has no way of seeing that its orders are carried out. Integration of Allied staffs is a step in the right direction. It cuts out a great deal of duplication and gives a sense of reality to the conception of a Combined Zone.

The Need for German Responsibility

BUT in spite of the improvement the position is still not satisfactory. After nearly three years of occupation what the Germans need to-day is a Government of their own. What has now been set up goes some way towards this aim, but not far enough. It still has the great disadvantage of being a creation of Allied Military Government, and no hopes are at present being held out to the Germans that a Government proper will shortly take its place. Moreover, the administrative structure of the area is inadequate to deal with the present economic difficulties. The bizonal Departments have to operate through the *Land* administrations instead of having their own subordinate organizations in the *Länder* to implement their decisions. The reasons for these shortcomings in the present reorganization are not difficult to find. The British and American Governments have committed themselves to the principle of a federal Germany and are apparently loath to take any steps which would weaken the authority of the *Länder* Governments. They have chosen a plan of reorganization which involves little more than administrative adjustments in the previous machinery, from fear that the creation of a Government of Bizonia would lay them open to Russian attack and French opposition. But are these fears really justified—and even if they are, can we afford, under existing conditions, not to accept the risks necessary to put western Germany on the road to recovery?

A review of the economic development of Bizonia during the past twelve months reveals some interesting facts. Despite the worst winter for many years, the normal food crisis in the second quarter and no overall improvement in rations, there is a remarkable resiliency in the Germans. Coal production increased rapidly in the autumn, and this was accompanied by a general upswing in industrial production. Steel production nearly doubled itself, fertilizer output increased, and, although its rolling-stock had deteriorated through lack of maintenance and new construction, transport managed very nearly to meet the larger demands with which it was faced. This sudden spurt of activity declined over the turn of the year with almost equal rapidity. Although this was partly due to another food crisis it seems that on this occasion there were other and more fundamental reasons. The food crisis itself took a somewhat different form. Whereas with earlier crises the difficulty was mainly due to deficiency of stocks, on this occasion the stock position was substantially better. The trouble seemed primarily due

to the refusal by the richer agricultural *Länder* to honour their commitments to provide food for the more industrialized areas such as North Rhineland Westphalia. The collection of indigenous production has always been a difficult task and shortfalls in estimates have occurred each spring. On this occasion the shortfall took place three months earlier, and this difference cannot entirely be explained away by the smaller 1947 harvest.

The root of the problem lies in the lack of confidence on the part of the Germans in Allied plans and policy, and the unwillingness of most of the competent Germans to accept responsibility under the Allies for running a system which they do not believe will work. This is well illustrated by the dismissal at the end of January of Dr. Semler, Director of the Office of Economic Affairs for the Combined Area, following a speech at Erlangen to the C.D.U. in which he made some very critical remarks about British and American policies. It was unwise of Dr. Semler to address the C.D.U. at all, but understandable that, having decided to speak, he should be critical of Allied policy. As a German his views are bound to run counter to those of his masters, and Allied Government is surely asking too much if it expects him or any other German to support whole-heartedly policies which, from the German angle, must appear damaging to the country. The trouble lies in the peculiar relationship between Allied control staffs and Germans in the existing administrative set-up. There are only two ways in which Germany can be satisfactorily administered. Power can reside entirely with the Allied Military Government, which issues orders for the Germans to carry out, applying what sanctions may be necessary. Alternatively, power can reside with the Germans (except for a few special subjects such as disarmament and reparations which would be reserved to Military Government). Under the latter system the responsibility both for policy and execution would rest with the Germans, who would need themselves to be provided with the necessary sanctions. Military Government's powers in this field would be confined to the right of veto. A half-way house, such as exists at present, in which Germans are associated with Military Government in the framing and execution of policy, and are therefore expected themselves to support that policy, must be unsatisfactory, in that over a wide field the interests of both parties cannot possibly be identical. The perpetuation of such a system for any length of time cannot fail to produce bad results, since no Germans worthy of the name will be prepared to serve Allied Military Government on those terms. If they were to do so they would inevitably be regarded as quislings by their fellow countrymen and would lose their positions as soon as full powers were devolved upon a German Government.

A Risk that Should be Run

ALTHOUGH there are in theory these two alternative methods of administering Germany, in practice there is only one. Too much power has been devolved upon the Germans already for Allied Government to be able to resume direct control. Besides, the staffs of both British and American Control Commissions have been substantially reduced during the past two years

and there is no longer a large enough body of trained officers to undertake the work.

The solution to the Western German problem would therefore appear to be in the creation as soon as possible of an effective German Government, with full powers over all except for a few reserved matters, and subject only to the veto of Military Government. How dangerous would this be! So far as the Russian reaction is concerned it is hardly necessary to say that it would meet with the strongest disapproval. But it is questionable whether they would raise any stronger objections than they have already expressed to the present Allied plans. Indeed they already claim that there is no difference between these plans and a bizonal Government. Why not therefore make it a spade and call it so? The French would also object, but then they have always objected to any policy but their own for Germany. It should not be forgotten in this context that they have never fully accepted the Potsdam Agreement on which the policies of Britain and America have been and are still based. This is not to say that agreement with the French should not be sought. It should be. But the recovery of western Germany is of such vital importance to the success of the Marshall Plan that negotiations with the French cannot be allowed to drag on indefinitely. The longer a workable plan for western Germany is delayed the more difficult will it be to achieve the desired results within the time available. Moreover, there is a fundamental principle which must be accepted if there is to be any recovery in Germany, and on this no compromise is possible.

Any new Government for western Germany must be given the necessary powers to ensure that its policy is carried out. These powers cannot be effectively exercised so long as the central economic departments are debarred from employing their own representative bodies at *Land* and lower levels, and have to rely on the good offices of the *Land* administrative agencies. It is claimed that such an arrangement would be in contradiction to the policy of federalization. It would give too much power to the centre, and thus perpetuate the very system which Germany employed for purposes of aggression. The validity of this thesis is somewhat doubtful, since even in the days of a federal Germany there was a high degree of centralization in a number of important economic fields. But even if it were true it is surely important to introduce a workable system that may secure prosperity for western Europe and the inclusion of western Germany in a western European system. The alternative, namely, the perpetuation of the present economic misery, might well succeed in driving Germany into the arms of Communism.

This centralization of economic power is essential for another reason. Probably the most pressing problem of western Germany to-day is to find a cure to the present dangerous inflationary situation. More and more goods are being diverted into the black or grey markets. Money is becoming less and less valuable, except for a small range of rationed goods. The answer is financial reform, which will involve the issue of a new currency, the mopping up of surplus purchasing power, an adjustment in internal prices in relation both to each other and to world prices as a whole, a corresponding adjustment in wages and the fixing of an exchange rate for the mark. These

measures, to be effective, must be centrally controlled and enforced. No right of appeal to a High Court could repair the damage that would result from failure on behalf of *Länder* Governments to carry out the instructions of the Economic Council.

Financial reform is an indispensable preliminary to German recovery. It will affect every section of the community, and if it fails the consequences will be disastrous. It is therefore essential that it shall be a plan in which the Germans have every confidence and which they are prepared themselves to enforce, and not one which is imposed on them. Under the existing administrative set-up, where German officials are likely to be regarded as puppets of Military Government, it is improbable that the plan would be readily accepted by the Germans. This is another reason for hastening on with the establishment of a German Government.

But if for one reason or another it is impossible to do this immediately an announcement should be made now of the intention of Military Government to set one up within a stated and short period. In any such announcement it should also be made clear that that future Government will be responsible for providing the food and industrial requirements of the country out of the proceeds of exports and such outside financial assistance as may be forthcoming from Marshall aid or the appropriated funds of the two occupying Powers. Within the limits of these resources the extent and value of the imports will be for the Germans to decide, and if they fail to bring about an improvement in living standards, on them will the responsibility fall.

BRITISH AGRICULTURE—TO-DAY AND TO-MORROW

THE LOST RESOURCE OF FOREIGN FOOD

IN pronouncements on the state of the nation Cabinet Ministers have in recent months emphasized time and time again the importance of the contribution that British agriculture can make to our recovery. Their words reflect the reawakened interest of the general public in the possibilities of British farming. For nearly two generations a great deal of the energy and enterprise of our people has been devoted to industrial expansion and the development of trade connexions overseas. To-day, as every Briton knows to his cost, our circumstances have changed. We are no longer able to command food surpluses abroad. There have been light crops in some countries, but it would be wrong to reckon this as a passing phase. Britain is never likely again to be able to buy food so cheaply and so freely abroad as she did until 1938. The countries of the New World now need for themselves more of the food they produce. The first era of soil exploitation during which virgin land could be cropped with wheat year after year has now passed, and the farmers of Canada and Australia recognize that if they mean to stay in business they must adopt more traditional methods of good husbandry as so long practised in Great Britain. They are developing for themselves crop rotations suitable for their conditions while their farming risks are spread over several products, which is an advantage. They can no longer offer the markets wheat much more cheaply produced, at the cost of soil exhaustion, than wheat can be produced in a balanced farming rotation, such as is well established in the older countries of the world. It is indeed doubtful whether the Canadian farmer will in the future be able to deliver his wheat at an English port at costs below those incurred by the English farmer making delivery at the same spot. Indeed the English farmer has considerable advantage, because he can reckon an average yield of 36 bushels to the acre compared with Canada's average of 13 bushels. It is true that many of our fields in Britain are small and that a moist atmosphere does not allow such easy mechanized harvesting, but with ingenuity and some outlay in drying plants there is every reason to believe that the British farmer, at any rate in the drier eastern counties of Norfolk and Suffolk, can in terms of true prices hold his own with the Manitoba farmer. To-day both the Manitoba farmer and the Norfolk farmer are taking prices for their wheat which are below the world price. Both hope that they will have their reward in long-term stability in the British market.

In planning our future economy Britain's political leaders must also take into account the fact that some of the countries that so readily shipped food to the United Kingdom before the war now need to keep all their production for themselves and are indeed food importers. This is true of several countries on the continent of Europe. There were days not so many years ago when

France had surplus wheat which she was glad to ship across the English Channel at a price little more than half that required by the British farmer. This French wheat was surplus to domestic needs, and it was the policy of France at that time to maintain the domestic market by getting rid of any surplus that might upset prices. Some years will pass before Europe as a whole regains her capacity for food production, and there are some nations which will demand a higher standard of diet than they were able to afford before the war. Britain will have more competitors in the world's markets. Nor does it seem likely that the quantities of food offered on the world's markets will be so great as to force prices down to levels that cause distress among the primary producers. Britain is building high hopes at the moment on the development of ground-nut production in Africa, but it is by no means certain how much of what is produced there will be exported. The African natives will, as soon as the opportunity occurs, justifiably demand higher standards of living, including better food, and it may well be that much of the extra production in terms of oil and protein expected from these development schemes will be readily absorbed in Africa.

Britain must also have some regard for the extension of engineering and other industries in the Dominions. Canada and Australia with their great industrial populations are now needing for home consumption more of the food they grow; and with continuing high wage-levels these countries will need more of just what Britain needs to import, that is, the livestock products such as butter, cheese, bacon and eggs. It is against the background of these facts that political leaders in Britain have made plain their view that whatever else may happen in Britain's development through the next few years British agriculture must maintain and if possible expand its output beyond the high levels attained towards the end of the war.

Disappointing Harvests

SINCE 1945 output from British farms has slightly fallen off. This drop in production has been partly due to bad harvests—one a wet harvest in which much grain was spoilt and the next a light harvest following a summer drought. The drop must also be attributed to some easing of the food-production drive. Mr. R. S. Hudson, the war-time Minister of Agriculture, was a most vigorous and tireless administrator. Each year he set higher targets in milk, potatoes and wheat, which were in the war years rated as the first priorities, and it is not surprising that after he left office with the change of Government in 1945 the food-production drive lost impetus. Mr. Tom Williams, the present Minister of Agriculture, is well liked in the industry and also well liked at Westminster. He is a middle-of-the-road Socialist, and his policies in practice have not given cause for any qualms among those who put the interests of agriculture first. The Agriculture Act put on the Statute Book last session gives the farming community the promise of a wide measure of security in markets and prices. The limits of the guarantees given are not stated precisely. Clause 1 guaranteed prices and assured markets for "such part of the nation's food and other agricultural produce as in the national interest it is desirable to produce in the United Kingdom". While there was

general support from all parties for the principle of guaranteed markets and prices and there was no vote against the Bill on Second Reading, the Opposition urged in the Committee stage and afterwards that wider scope should be given to Clause 1, so that the aim of "a fully productive British agriculture", and not merely an agriculture capable of producing "such part of the nation's food . . .", was fulfilled. At that time Ministers were reluctant to commit themselves more fully, but by August 1947 Mr. Tom Williams had the agreement of his Cabinet colleagues to support a campaign for further increases in the output of British agriculture. The guaranteed prices were revised upwards and farmers were asked to increase the milk output further by one-fifth, the beef output by one-sixth, to treble the pork and bacon and double the egg output by 1951-52. The immediate necessity for this decision arose from the premature exhaustion of the American Loan. It was brought home to Ministers that an effective start must quickly be made on the re-expansion of Britain's livestock industries if we were to economize in dollars and also maintain a standard of diet that would sustain the health and productive capacity of our people.

The targets for increased output were generally welcomed at Westminster and also by the farming community. The leaders of the National Farmers' Union, the Central Landowners' Association and the two farm-workers' unions were unanimous in saying that extra production could be got if means were provided. Some of these means lie within the province of the farmer himself. He can, for instance, make more silage from young grass or dry more young grass, so conserving for winter feeding the surplus of summer herbage. He can grow more mixed grain to enable him to rear more calves and poultry; but in starting on this programme of livestock expansion he is largely dependent on actions outside his control. To rear more chicks the farmer needs more maize, more wheat and more fish-meal. Deliveries of maize from Argentina have been coming through very slowly. Now there is hope of some supplies from Russia and also from other countries in eastern Europe. While the British farmer is not now allowed to feed to poultry beyond the small quantity of tail wheat which comes off the threshing-machine, he hopes that from this year's harvest he will be allowed to keep up to 20 per cent of the wheat he grows for feeding to livestock; but to date the Minister of Agriculture has not given a definite promise. The farmer is to be allowed to keep one-fifth of the barley he grows for feeding to pigs; this will be a great help to many arable farmers who before the war ran commercial breeding herds of pigs in conjunction with their general farming. The pig can be a profitable and economical converter of produce on the farm which would otherwise be wasted, such as low-grade barley and chat potatoes. To make full use of such products which he can provide for himself the farmer needs some meat-meal or fish-meal to balance the rations for his pigs and poultry. It is lack of protein—in animal form for pigs and poultry and in vegetable form for dairy cows—that has seriously handicapped the expansion of livestock in recent years. The human consumer has been able to buy more fish, but it seems that processing of low-grade fish and offal has not been profitable enough to stimulate output for livestock. The quantity of

fish-meal to be produced in 1948 is reckoned to be only three-quarters of the amount produced in 1938. One further point about protein supply: if the dairy cows in Britain were able to consume all the ground-nuts and other vegetable protein products available to them before the war the average milk yields would quickly jump by 50 gallons a cow, which in total would give Britain an extra 140 million gallons a year. This quantity would suffice to meet all consumers' needs within reason, and the rationing of milk could be abandoned.

Agricultural Government and Self-government

THE new Agriculture Act defines fresh relations between the agricultural landlord and tenant, and brings in the Minister as custodian of the national interest to act as final arbiter when a landlord wants to get rid of a tenant. The landlord can give the tenant notice to quit in due form, usually twelve months' notice, but the notice is not effective if the tenant objects and if the Minister does not give his overriding consent. Thus the farm tenant is made more secure than ever in his farm, and there are those who say that this additional security of tenure may not prove to be in the best interests of good farming. If the indifferent farmer can be made to feel that unless he mends his ways he may lose his farm this is a spur to greater effort, and it is the spur which in the past landlords have sometimes applied with good effect. Now the decision in all these matters rests with the Minister's agents, who in the first instance are the county agricultural executive committees and then the Agricultural Land Tribunals, also appointed by the Minister. In the background there are, of course, the officers of the Ministry of Agriculture who advise the Minister on any decision. So under the Agriculture Act the Minister of Agriculture is taking in peace-time the complete power which his predecessor in war-time assumed under Defence Regulations. It is possible for the Minister to do almost anything if he can satisfy his conscience that it is in the "national interest".

These county agricultural executive committees, and the district committees which spring from them, are the embodiment of an experiment in self-government within the agricultural industry. Under the Agriculture Act the Minister is bound to appoint three members of these executive committees from the list submitted by the N.F.U. and two members each from the list submitted by the C.L.A. and the farm-workers' unions respectively. Five other appointments are at his unfettered discretion, but the intention is to include men with scientific and land-agency experience, and there is also a place held open for a representative of the county council. By this method of selection the farming community can from within its ranks provide excellently strong teams or wreck the whole plan by allowing the appointments to go virtually by default. Nominees hoping for some minor honour at the end of their period of service could fill the committee lists, but happily the importance is realized of getting first-class men to serve on these committees, although some will find it difficult to divide allegiance between their sectional interest, such as the N.F.U., and the county committee where they are agents for carrying out the Minister's policy. It is the more important

that staunch men should be found because the staffs of these county committees are now full civil servants on the register of the Ministry of Agriculture. The new National Agricultural Advisory Service, under which technical advice is provided for every farmer on every conceivable subject, has also been brought under the wing of the Ministry of Agriculture. Thus the only people in the scheme who are left with some independence are the members of the county agricultural executive committees and the district committees they appoint.

The Human Element on the Land

IT is satisfactory that the team-work between the three partners in the industry, landowners, farmers and farm-workers, should continue in the years of peace. The relations between master and man in farming are peculiarly close. In Britain farming is still mainly a family affair, with a landowner, who may also be the farmer, supplying the land, the buildings and the permanent fixtures for which the tenant pays rent. The farmer supplies the working capital, the livestock, implements and other requisites for production while the farm-worker, unlike most of his industrial brothers, takes an active and personal interest in the whole organization. It is the strong common bond which the land and the livestock on the farm create between master and man that has saved the farming industry from differences and disputes which divide "the boss" from "the worker" in other industries. On paper and in terms of the Government's targets for increased food output British agriculture seems to be short of man-power. For several years past Italian and then German prisoners-of-war have been freely available to farmers to help with land-reclamation work and the minor routine jobs of the farm. Some of these prisoners, themselves brought up as peasants, proved adaptable workers, and now that they are going home their presence is sorely missed on some farms. About 10,000 Germans and a few Italians have at their own wish remained in Britain as civilian workers, and some of them hope to be able to bring their wives to settle here permanently. This intrusion is not welcomed by the British farm-workers' unions, who are very conscious of the days between the two world wars when unemployment was widespread in agriculture. Those were still the days when it was national policy to get as much food as cheaply as possible from abroad. Circumstances have changed since then, and it seems improbable that skilled British farm-workers who are prepared to give a week's work for a week's pay, which almost all of them willingly do, will find themselves at a disadvantage in the labour market. The minimum wage for the British farm-worker is now 90s. for a 48-hour week, and the majority have the advantage of a cottage rented at the nominal figure of 6s. a week. To keep the total numbers employed in British agriculture at near the million mark as the prisoners-of-war return home, some Poles and European volunteer workers, numbering probably 50,000, and possibly a new influx of 20,000 British workers from non-essential industries, are expected to take work on British farms during the coming year. During the winter of 1947-48 there has been some unemployment among British farm-workers. This has been due to the delay in starting

the programme of expansion in output on the livestock side owing to the lack of feeding-stuffs to enable farmers to redevelop the pig and poultry sections. The additional workers will need new houses in the agricultural districts, and the Government have undertaken to give top priority to housing for agricultural workers as well as to houses for coal-miners. It cannot be said yet that this priority is operating effectively, and the need for more houses is particularly acute in those districts which were under-farmed and under-manned before the war, and which have relied largely on prisoners-of-war sent out daily from camps and hostels. British workers will need homes of their own. It is reckoned that another 25,000 houses should be allotted subsequently to agricultural workers if the need for extra labour is to be met fully this year. Another requirement for full production is the provision of more labour-saving machinery, suited to the medium-sized farm. Three-quarters of the farms in Britain are under 100 acres in size, and they set peculiar problems in mechanization. High priority is now promised to the agricultural machinery industry, so that it may meet the needs for British agriculture and also develop export markets in Europe for the tractors and implements required there also for the smaller farms. Now that these priorities are clearly recognized and the need persists for full output from British agriculture, there is every reason to hope that 1948 will show constructive developments, which will put British agriculture in the position to expand its output more effectively to meet the needs of British consumers.

ELECTION YEAR IN THE UNITED STATES

CONGRESS AND THE MARSHALL PLAN

THE ways of democracy are strange. Here is the United States, waging a great and historic contest with the Soviet Union for the kind of western world most of the western nations want. The central weapon in this contest has become the Marshall Plan: the European Recovery Program. And yet this major weapon in our struggle, this vital step—without which we might as well cede the west to Russia—appears to hang in the balance in the American Congress, the instrument of democracy.

The paradox is more apparent than real. Despite difficulties, Congress is almost certainly going to enact the basic elements at least of the Marshall Plan. Action may not be delayed much later than April 1. The total amount authorized for the first fifteen months is not likely to be much less than \$5,500 million. The administration of the program will not be left to the State Department, but to a separate agency. These, at least, are the strong probabilities in early February.

But it will be a rough road to these goals, and the most uncertain element is time. Congress has an infinite capacity to delay. The gravest danger will be in an excessive reduction in the amount of money. Congress is eager—and certain—to cut taxes. Congress feels that much post-war money sent overseas has been poorly spent or wasted. Authentic accounts show that many relief supplies are getting into black markets in many continental countries. The allocation of ERP funds to such countries as Ireland or Spain—as proposed under the Marshall Plan—is difficult for a Congressman to understand. And there is the perfectly legitimate desire to induce Europe to exert the greatest possible degree of self-help. The very extensive deposits of French money, for example, now in American banks do not encourage Congressmen to appropriate large sums as long as this country provides a safe harbor for so much exile capital.

Therefore, although President Truman asked for \$6,800 million for the first fifteen months of operation, he will be lucky to get \$5,500 million. In point of fact, since it will take some time to set up the administrative machinery, it is unlikely that any more than the latter sum could be disbursed in the fifteen months. The success of ERP depends on so many variables that it is impossible for anyone to know whether this money will be enough, or in time. Russia's capacity to sabotage ERP is still considerable. On the other hand, there is a definite feeling here that if Congress enacts the real substance of the proposals—not too little nor too late—and if we do not run into any more major crises with the Russians, Europe's recuperative capacity may surprise us on the good side. Certainly there is great satisfaction here at the improvement of British coal figures, as well as various export totals.

Above all, however, Americans are deeply interested in the unification of

the west. Any steps that can be taken toward the consolidation of western Europe—toward a United States of Western Europe—will be profoundly welcomed here. There is a definite feeling that now is a great historic opportunity to unify western Europe, and that it must not be frittered away. The great disappointment here concerning the Paris recommendations of the sixteen nations was that they did not go far enough. Now that Ernest Bevin has thrown his support behind Winston Churchill's two-year-old proposals for a United States of Europe, there is new hope here that something at last may be done. It is earnestly hoped that bold steps will be taken, both economic and political, quite as daring as Britain's desperate proposal in 1940 for unification with France. Nothing would put the Marshall Plan through Congress more quickly and satisfactorily than real progress toward the "U.S.W.E.". Nearly every shade of American opinion would warmly support such action. And American taxpayers would have some hope, at least, that their money would not go down what is grimly called "Operation Rat-hole". Now that Britain is pledged to take the lead in the formation of a western European *bloc*, America eagerly awaits results.

Such results would be the greatest success so far in the American struggle to aid western Europe against Soviet dominance. Otherwise it is plainly recognized that Russia holds strong weapons. The power of the Communists in France to dissipate, through strikes, about as many economic resources as were added through American emergency aid is a realistic warning.

The Cold War

MEANTIME the American-Russian diplomatic struggle continues. It is certainly a form of "cold war". But it can stop just as soon as Russia decides it is advantageous to reach a *modus vivendi*. American diplomacy would fall over itself to make reasonable concessions if there were any tangible overtures from Moscow. We do not like the situation; we realize many of its dangers. But the alternative seems to be to permit Russia to overrun the west—or at least to put itself in a position to dominate and control the west.

A considerable majority of Americans—there is evidence to believe—thinks there is no inherent reason why democracy and Communism could not get along together in the world. There are many things about the Russians that we are prepared to like. We even see in some Russian ways a modified mirror of our own pioneer youth. We do not basically think of war as inevitable. We would concede a great deal to the Russians. But it is our conviction that the Kremlin must give some sign of goodwill, of willingness to reach and keep a reasonable agreement. There must be evidence that new American concessions would lead to a *modus vivendi*, rather than being taken as new signs of weakness. The most experienced negotiators with the Russians—men who have dealt with Kremlin officials for the last six or eight years—fear that unilateral concessions to-day would only evoke new demands.

Realizing the dangers of drift, the American Government anxiously and

eagerly awaits the moment when a settlement may be reached with the Soviet Government. Stalin and Molotov were too confident of western weakness or collapse, in December, to permit any approaches to a settlement at London. They evidently believe that ERP can be made to fail, and that a depression in America is still inevitable. On the latter point—as will be brought out later in this article—the evidence indicates that they may have to wait quite a long time. ERP is still open: for success or failure.

But as long as the Russians have not been persuaded of the urgency and feasibility of a settlement on reasonably agreed terms, the United States has been pressing its diplomatic campaign with energy. The British-American plan for Bizonia is a powerful step, regrettable in so far as German economic unity is concerned, but potentially effective.

The American military position in the Mediterranean is being substantially strengthened. We retain our floating bases, revolving around the powerful aircraft carrier *Midway*. The Tripoli air base is a blunt warning. From Tripoli, jet fighters could cover the Mediterranean from Gibraltar to Suez, and B-29s could strike as far as Moscow. Long-range fighters could escort bombers deep into Russia, and B-36 bombers could penetrate far beyond the Urals. And as Admiral Nimitz pointed out in his final report, the kind of floating air bases which he developed so successfully during the war in the Pacific can now be established through American sea power adjacent to any land area in the world. These are stark American warnings to Russia, following the proclamation of a Communist government in northern Greece. The thin line of American troops in Trieste now has air support. The route to Mid-East oil has air cover.

Most Americans profoundly regret the necessity of conducting post-war diplomacy in these terms. Many of them would have much sympathy with Henry Wallace—if there were any evidence the Russians were prepared to listen. But the evidence is still all the other way around—that the men in the Kremlin speak only the language of force, and will reach agreement only in the face of strong measures. The ruthless, steady advance and infiltration of Communist forces attests the point, in American eyes at least. But is American policy too inflammatory? Are we simply supporting an armaments race—and to the inevitable end? Certainly there will be danger until some adjustment is reached. In the meantime weakness would seem more hazardous than strength. Western Europe seems to be coming more and more to the view that a strong line of resistance to the Russians is the only available alternative. That strong line is matched by a willingness to negotiate on the most open basis just as soon as the Kremlin is willing. But we have to insist on two-way concessions and reasonable guarantees.

General Eisenhower's Renunciation

THAT there should be any solid chance of enactment of ERP, or any other constructive legislative progress, with a Republican Congress, a Democratic President and during a Presidential campaign is another proof of the weird and wonderful possibilities of the American democratic system! The presidential sweepstakes is really beginning to get hot. General

Eisenhower's great renunciation was one of the most impelling acts in American political history. Very few men indeed have turned their backs on the American Presidency. And when General Eisenhower wrote his decisive letter, declining to be a candidate or to accept the nomination, he was far ahead of any other prospect in the public-opinion polls. He was the only Republican (he is assumed to be a Republican) who had a clear chance, according to the polls, of beating President Truman.

The reasons General Eisenhower gave for withdrawing were in the finest and deepest Anglo-Saxon tradition.

"The necessary and wise subordination of the military to civil power will be best sustained", he said, "when life-long professional soldiers abstain from seeking high political office. I would regard it as unalloyed tragedy for our country if ever should come the day when military commanders might be selected with an eye to their future potentialities in the political field. . . . In the American scene, I see no dearth of men fitted by training, talent, and integrity for national leadership. On the other hand, nothing in the international or domestic situation especially qualifies for the most important office in the world a man whose adult years have been spent in the country's military forces. At least this is true in my case."

These words have only increased General Eisenhower's stature in the public thinking. But they seem final and definitive. Not since General Sherman's refusal, after the Civil War, has a man almost certain of electoral success declined the office. General Sherman did not take so many words as General Eisenhower. He uttered the classic phrase: "If nominated, I will not accept. If elected, I will not serve." Calvin Coolidge's "I do not choose to run", in 1927, was cryptic, and the accepted historical conclusion is that he really wanted to be re-nominated after all.

The prime effect of General Eisenhower's decision is measurably to increase President Truman's chances of re-election. That there should be any likelihood of his re-election is in itself surprising. Nobody would have thought it possible a year ago. After the great Republican victory in the Congressional elections of 1946, and following the consistent trend of American political history, the President's defeat in 1948 seemed inevitable. But several things have happened in the last year. The United States continues in a boom, which is advantageous to a candidate seeking re-election, and suffers from inflation, for which the Republican Congress is blamed more than the Democratic President. President Truman's amiable and pleasing personality is popular. He derives great benefit from the strength of Secretary of State Marshall, and from the so-called bipartisan foreign policy.

On the other hand, the third-party candidature of Henry Wallace would seem likely to take from eight to ten per cent of the vote from Mr. Truman, surely a fatal blow in several important states. Yet the Gallup poll, which has been dismayingly accurate in the past, indicates that despite the losses to Mr. Wallace, President Truman could defeat such leading Republican candidates as Governor Dewey and Senator Taft, but could not defeat General Eisenhower, who is no longer a candidate.

However, of the remaining Republicans, Governor Stassen is likely to get

the largest proportion of organization strength which might have gone to General Eisenhower. This is not likely to do more than raise Governor Stassen to a kind of three-way tie with Governor Dewey and Senator Taft. These last two men have the greatest strength with the old-line Republican party organization. But in the public-opinion polls they are weak—particularly Senator Taft.

Tacticians of Philadelphia

THE greatest probability, as of February, is that these three men will counterbalance one another when the Republican Convention meets at Philadelphia in June. None of the three is likely to command the necessary majority. And none is likely to concede his votes to one of the others. That means that after a certain number of fruitless ballots, the leaders of the Convention would have to withdraw to the traditional smoke-filled room, there to agree on a compromise candidate. If President Truman continues to show strength, and if the Republican leaders are wise, they will not agree on a compromise candidate just because he offends nobody. They will pick a strong man.

That is where General Eisenhower might have come in. But with him out of the picture attention turns more and more to Senator Arthur H. Vandenberg. Now Senator Vandenberg is much more than a compromise candidate. He is a power all by himself. He has refused to let his friends conduct a campaign for him, fearing that it would jeopardize his capacity to help the Marshall Plan through Congress. Moreover, he is not in the very best of health. There is some doubt whether the White House—which he knows well, both in its glossy and its troublous sides—has for him the appeal it has for younger and more ambitious men. Yet he would most certainly respond to his party's call, after the avowed candidates had deadlocked. And—except to the extreme isolationist wing—he would be warmly accepted by the Republicans. He might well be their strongest possible candidate, certainly excepting General Eisenhower.

But there are other men whom the professional politicians, in Congress and out, would very much like. Chief among them is Representative Joseph T. Martin, Speaker of the House of Representatives. Speaker Martin is a shrewd, skilful, cautious politician. He is very near to the Republican Congressional "norm". Conservative, more or less of an isolationist, friendly to business, a rugged, cigar-smoking, plain-spoken professional politician. Yet there is great question of his vote-pulling power at the polls. He is not really well known, is not an eminent figure, has a negative record. If the Republicans think they can win with anyone, they might venture to take an insider like Speaker Martin. But it would certainly mark a reversion to isolationism, to conservatism, to limited horizons and cagy calculations. Such a nominee would certainly seem to be very vulnerable.

Another possibility, of a very different order, was showing over the horizon when General Eisenhower's *obiter dicta* on military men cast their shadow. That is General MacArthur, who showed considerable receptivity

from his remote throne in Japan. General MacArthur, of course, might decide to return to the United States—which he has not seen for some thirteen years—along about April. With a publicity campaign which he and his staff know well how to prepare, he might have landed in California and proceeded slowly across the continent on a triumphal tour. Since all our other generals have eschewed such spectacular enterprises, General MacArthur's trip might have been a colossal sensation. It might—just might—have swept him into the nomination. But General Eisenhower has pretty well taken care of the generals. And General MacArthur's age, his long absence, his unpopularity with rank-and-file veterans, are all against him. Nevertheless, he is a potent and dramatic figure, combining, in a journalist's phrase, the greatest qualities of Oliver Cromwell and John Barrymore.

There are lesser men—the sort of political figures Warren Harding was before his compromise nomination in 1920. They include Governor Earl Warren of California, Senator John W. Bricker of Ohio and many another. But they are most unlikely to be nominated. It is going to take a strong man to beat President Truman. This paradox—breaking a political rule of eighty years that a loss of Congress meant the loss of the White House two years later—makes the 1948 election a strong and healthy experience.

And, fortunately, this experience has not yet completely warped the wheels of government. It hasn't helped, either. But through the statecraft of men like Senator Vandenberg and Secretary Marshall, some restraint on President Truman's part and Republican unwillingness to put the party's Congressional majority into a totally negative role, we have managed to keep an active foreign policy and give it the necessary minimum, at least, of legislative support.

The Flowing Tide of Inflation

SUCH success, albeit limited, has not been obtained in the battle against inflation. And here is the Achilles heel of American policy in the current world situation. Virtually nothing is being done to curb inflation, and it is unlikely that anything very significant will be done until after November. President Truman proposed a strong and detailed anti-inflation program to Congress. That was good politics. Because, although nobody knows whether or not the President's proposals would have worked, he can put the blame for continued inflation on Congress's failure to act. On the other hand, by demoting Marriner S. Eccles—who was for twelve years Chairman of the Federal Reserve Board—the President presumably rejected plans severely restricting the supply of bank credit. These plans, sponsored by Mr. Eccles, were very unpopular with private banking, but they struck at a central causative factor in the inflation: bank credit. President Truman presumably shrank from risking deflation before election. This, too, was shrewd politics. If we had a business collapse, the Republicans would certainly sweep into office.

The Republicans, shrinking from the imposition of controls through rationing or price ceilings, indicate some desire to prevent another round of wage increases and pin their faith on increased production. Yet the third

round of wage increases, coming largely in April, seems virtually unavoidable. And production has already reached certain limits. It is not likely to go up greatly in the immediate future. It is already at all-time highs. There is still plenty of purchasing power, still an abundance of unfilled needs. A large income-tax cut is certain, and that will feed the boom still more by adding to spendable income. Increasing wages will feed purchasing power.

In these circumstances—and while we raise the money to pay for Marshall Plan exports or advances—nothing like a deflation or depression seems likely. But, of course, the boom will end sometime, and the American problem is to try and taper it off, and prevent a catastrophic crash. Everybody would like “a little” depression, a levelling off. Nobody knows how to control a downward movement. We have simply got the bear by the tail. Neither political party knows what to do about it. Neither has the political courage to follow the advice of the wisest men, like Bernard M. Baruch who urges deferment of tax cuts, restoration of excess profits taxes, cuts in farm prices and stabilization of wages.

Every step in this program offends some large group of voters. It is stiffer advice than we seem able to take in an election year. And that is the great danger of America: 1948. Perhaps we can weather the economic storms without reefing sail. At any rate we are riding high. It is a tremendous risk. Probably the boom is far less artificial than in 1929. We have some new safeguards. But we, in our turn, are to-day paying some of the price of inflation. Fortunately it has not yet embittered the working classes, who are substantial beneficiaries thus far. They are the people who are eating the meat and buying the cars. But there are troubled days ahead. By the time a new President has received his electoral mandate, it will be very late indeed to rescue us from the economic storms.

United States of America,
January 1948.

UNITED KINGDOM

A GOVERNMENT RECOVERY

THERE is an impression that the Government has regained some ground during the past three months. True, they have lost their first by-election at Camlachie in Scotland, but that was mainly because too many cooks spoiled their broth; and though a win is always a win, Conservatives can find little comfort in the figures. The improvement in the Government's prestige is only relative. It may be expressed by saying that if there had been a general election in the summer, they would probably have been out on their necks, whereas if there were a general election to-day they might either lose or win by a short head. The change has several contributory causes. The writer puts first the substitution of Sir Stafford Cripps for Mr. Dalton. Sir Stafford's stock has risen, as it rose during the war when he was our Ambassador at Moscow. Since his earlier and redder days he has toned down, and now he is tuning his party up, not so much by anything he has done so far, as by force of character and by frankness.

It is true that he is not nearly so good a party man as Mr. Dalton, and he is, moreover, without any trace of the latter's joviality. But he has told the country the unadorned truth about its perils, and he goes on telling it. The truth is not very palatable. For example, he makes no bones about saying that the country cannot afford more wage increases, and the T.U.C. continue to deliberate as though it could. But all like to be told the truth, even if they do not like it when told. Much of Mr. Churchill's war-time success was due to his blunt insistence on "blood, toil, tears, and sweat". Moreover, Sir Stafford, though not a great natural orator, is a trained lawyer with a faculty for stating a case clearly. He is not loved, but he is respected.

A second reason for the Government's recovery is that as people become more crisis-conscious they tend to become less censorious. The British people are always inclined to take broad views in politics. They know they could not in any case change the team in a hurry, and if they are in the middle of a crisis they seem to prefer not changing it until the crisis is over.

It is not true that any class has been immune to physical repercussions of the crisis, and attempts to assert that the British people have never been better fed are known and felt to be nonsensical by every adult. An exception can, fortunately, be made in the case of children. The statement of the Chief Medical Officer of the Ministry of Health that children have not suffered during or since the war can be accepted, and explained by the one word "milk". As Sir John Boyd Orr contended fifteen years ago when his magnificent work on nutrition was becoming known, milk is probably the most indispensable and valuable constituent of diet for the young, and for expectant and nursing mothers. Policy based on that contention has amply justified it. Though adults have suffered and are suffering, the political reactions have not been so adverse to the Government as might have been expected. There are many reasons for this fact. We are not free from unemployment, in spite

of the talk about labour shortages. These shortages are due far more to the maldistribution of labour than to any total deficiency; and there is a pretty large amount of concealed unemployment in the shape of people temporarily stood off from work because allocations of raw materials fail to arrive at factories. Those thus stood off are paid their wages and do not show in the unemployment returns. But on the whole there is no *fear* of unemployment, and that is the first reason for relative political contentment. The Labour party have been quick to seize upon it. Their defence consists more and more of contrasts between so-called "full employment" to-day and the position under Conservative Governments between the wars. There were, of course, two Labour Governments during that period, under which conditions were worse than at other times, but, so the argument runs, they were minority Governments.

This propaganda is effective. Its results pop out in all sorts of ways. When, for example, Opposition speakers flay the alleged incompetence of the Government, a common reaction is "You would not do any better". For all these reasons, the writer believes that Conservatives have cashed in about as much as they can ever do on the faults and weaknesses of the Government. Their negative assets are banked, and are not enough to put their account indubitably in credit. To pay in another large cheque, they will have to say less "Look what this Government has done" and more "Look what our Government will do".

Breakers Ahead

THE above reflections have been based upon the assumptions that the Government do not commit any crashing imbecilities and that our economic situation does not collapse. Taking the latter assumption first, it is far from impregnable. Broadly speaking, if American aid is forthcoming by July, we shall win through. If American aid is delayed beyond the exhaustion of our gold and dollar reserves we shall be in serious difficulties; and if it is not forthcoming at all, we are sunk. In either of these unpleasant eventualities, the question of forming an emergency Coalition Government would undoubtedly arise. Even so, such a change would not be easy. In forty years' experience of politics the writer never remembers such a psychological incompatibility between Government and Opposition. Reciprocal contempt is a far greater barrier to collaboration than reciprocal hatred. Still, there are enough elements on both sides which command reciprocal respect—that essential flavour of the British form of democracy—to make Coalition conceivable in a crystal-clear national emergency.

As for the second assumption, that the Government will avoid destructive errors, that is not beyond question either. They are, as the Prime Minister again insisted in a recent broadcast, attempting to combine Socialism with the essentials of individual liberty. Can a theoretical contradiction become a practical harmony? Can Ministers who believe essentially in compulsion form a team with Ministers who believe essentially in persuasion? Policy certainly shows many signs of compromise. For example, the Government institutes the direction of labour, but it proves to be a complete farce. That

is not because labour is not maldistributed, but because when it comes to the point, the Government knows that conscript labour is unwilling labour. Again, the registration of "drones" has become a standing joke. Either there are practically no drones, or they refuse to be caught. In a wider field the Government are impressed and distressed by the economic crisis; but they waste time on attacking the House of Lords, on nationalizing the gas industry, and on planning to nationalize the iron and steel industry which (together with that other privately run industry, shipbuilding) has made possibly the best response to appeals for greater production. The job of carrying through a social revolution in a time of threatened economic chaos requires a delicacy of tread and of touch whose possessor would make Agag appear heavy-footed.

The International Outlook

TO economic worries has been added an intensification of international worries. The hope of political collaboration with Russia has, at least temporarily, disappeared. Mr. Bevin has announced his desire to form what he calls a "Western Union". His general concept is clear. He wants economic and political co-operation between all the western European Powers, including their vast overseas dependencies and the other members of the British Commonwealth. In detail his new policy is still obscure, and does not appear to have been worked out. The question is outside the scope of this article save in so far as it affects our own politics and economy. In the political sense the new move commands Opposition assent. Moreover, Russian behaviour has tended to silence Left-Wing opposition to Mr. Bevin outside the ranks of the Communists. The "fellow travellers" cannot even beat the drum of independence both of the U.S.A. and the U.S.S.R., because the new policy is designed precisely to effect that independence by forming a third great economic entity. Nor can they contend that the new policy cuts off British noses to spite Communist faces, since, at the price of great concessions, a trade agreement has been concluded with Soviet Russia. Again, the new policy is the logical consequence of the response of the Paris Conference of sixteen nations to the Marshall Plan. They were asked to do as much for themselves individually and reciprocally as they could. It is not the fault of any of them that Russia chose to lay an interdict on the whole plan and its consequences. Lastly, muddled thinking about Greece has become much more difficult. Few can now deny that she has become a curtain-raiser for Communist tactics as Spain became a curtain-raiser for Fascist tactics. Fewer, therefore, can object to Mr. Bevin's determination to join the United States in taking the firmest possible line against such tactics.

No doubt the new policy will continue to have its critics. On the Conservative side the heirs of the so-called "Empire Free Trade Crusade" show signs of reluctance to tie themselves up with any of these impossible Europeans. On the Socialist side hankering after Russia is too ingrained in some quarters to allow facts to percolate thoroughly or for long. The question is frequently asked whether Communism will spread in Britain. The answer is "No, not openly". Indeed the T.U.C. has just launched a campaign to

eradicate Communist influence in the trade unions, and will undoubtedly win that battle. It is also asked how any intelligent person—and many Communists are intelligent—can continue to be a Communist when so many farcical somersaults are involved in being one. The writer does not know the answer to that. It is one of the great psychological puzzles of human history, inexplicable by ordinary logical processes. It is like the homoousion and homoiousion controversy, which the theologically uninstructed view at a distance of sixteen centuries with a mixture of horror and astonishment. The Communist appears to have carried to the height of a religious obsession the doctrine that the end justifies the means. But what an end! And what means!

Anglo-French Finance

THAT the path towards a Western Union must be prickly was shown on the morrow of Mr. Bevin's speech by the flurry about the French franc. The late Lord Swaythling is reported to have said that there were only two men in the City who understood the question of exchanges, and he had grave doubts about the other one. The writer, therefore, advances his view of the matter with all diffidence, but the facts seem to be the following:

The French Government under M. Schuman have been struggling to stabilize their country's economy. Their troubles are due to

- (1) war damage, both physical and psychological;
- (2) an exceedingly bad harvest in 1947;
- (3) Communist-fomented labour troubles on a big scale;
- (4) intensification of these troubles by rapid inflation, which has put incomes out of relation to the costs of living;
- (5) falling off in exports. The French being specialists in luxury products, their exports are hit first and hardest by the waning of the seller's market.

To meet this formidable array of enemies or inimical developments, the French Government, having successfully outfaced the trouble-makers, passed certain measures designed to make their budget healthier, prayed, no doubt, for better farming weather, and devalued their currency. The trouble arose over the form of devaluation, which followed the Italian precedent in establishing two kinds of currency. The French exporter who established, for example, a dollar credit by sales in the United States would be entitled to take half the credit in francs at a new official rate, and to sell the other half for as many francs as he could get in a free market in Paris. But what about the effect on sterling? If the black market was thus recognized, would not the official exchange value of sterling have to fall to a black-market rate of $2\frac{1}{2}$ dollars to the pound instead of 4 dollars? If it did our imports might cost us proportionately more when our existing reserves of gold and dollars ran out. The French promised to prevent a free market in sterling, but the question was whether they could. Like ourselves, the International Monetary Fund established under the Bretton Woods agreement to regulate the currencies of its members was afraid that currency control would be undermined. The Fund refused to endorse the French plan; but the French,

nevertheless, persisted in it. Now the whole basis of American aid to Europe and of a Western Union must rest on currency stability, or at least currency discipline; and that could not exist if any country was free to manipulate its exchanges as it liked.

That is the really serious aspect of the French action. It was, however, treated with the utmost friendliness, so that political repercussions were avoided. The writer considers that, in fact, the international importance of the affair was exaggerated. Such troubles are simply bound to occur when production in different parts of the world is out of balance. They will occur in any country, including our own, where the ratio between costs and the volume of production is allowed to deteriorate or even to remain static. They will be cured not by currency manipulation but by work. A country which allows internal inflation must sooner or later lower the external value of its currency. It will not attract buyers of its currency by offering any temporary terms, however advantageous, because nobody will believe that any new par of exchange can be maintained. That is the lesson for us in the French experiment. It is to be feared that it will prove to be the lesson for France also.

Precarious Equilibrium

THE period under review, therefore, continues to be one of shaky suspense both political and economic. One or two further instances may be given to show how shaky the position is in both respects. Two years late the Government adopted a definite policy towards Palestine by passing the buck to the United Nations. That body, with both Russian and American concurrence, though for different reasons, declared for partition. Faced with an unyielding British determination to surrender the mandate on May 15 and to evacuate the country by August 1, they appointed a Commission of representatives of five small States to arrange and supervise the transfer of authority to the new Jewish and Arab States. Unfortunately they omitted to equip the Commission with any means for carrying out its task. Since the Arabs will not look at partition, and since the boundaries of the new States appear to have been drawn on no conceivable principle, the prospects for this year are of a blood-bath, which has, indeed, already begun.

Another instance of shakiness is found if we return to the economic field at home. Sir Stafford Cripps has not yet advanced from his predecessor's budget, though he will certainly do so in his own first budget in April. It must be hoped that he will not pursue the will-o'-the-wisp of "mopping up surplus purchasing power", and will realize that the biggest inflationary spender of all is the Government; and the biggest inciter to spending is a Government which allows costs to soar without a corresponding increase in production. If these two inflationary influences can be lessened, internal prices can be kept steady. In any case the problem of checking a rise in domestic prices is easy compared with the problem of securing a balance of trade. Sir Stafford Cripps's programme is to raise exports this year to 160 per cent of their pre-war volume. In 1947 the volume was only 108 per cent, though in December it rose to 120 per cent. Either figure shows how difficult

it will be to reach the 1948 target. Any expansion of exports is becoming more not less difficult. The French have, as already indicated, felt the turn of the market first and most severely, but we are beginning to feel it too. But even suppose the 1948 target is reached, Sir Stafford has pointed out that, though our over-all trade would be balanced, it would still be £250 million in deficit with the dollar area. It is not generally realized that we find it most difficult to increase exports to countries from whom we need to import most. Thus in 1947 we increased our exports to the U.S.A., Canada, and the Argentine by £44 million; but we had to increase our imports from those countries by £160 million. The truth is that a fundamental disequilibrium existed before the war, was masked by Lend-lease during the war, and has now been revealed again. Except through the general policy of a Western Union, which must take years to fructify, there is no prospect of correcting that disequilibrium.

Two Quarrels at Home

LASTLY, a word or two must be devoted to domestic questions which in normal times would be important though to-day they are overshadowed by the breach with Russia and by the economic crisis. The first is Mr. Bevan's quarrel with the doctors. Mr. Bevan has many qualities, and given the necessary circumstances he might be in some respects a second David Lloyd George. But, as a David, he has too great a tendency to suspect that everybody else is a Goliath. Moreover, it was said of Lloyd George that he could charm a bird off a tree, and he certainly did charm stethoscopes out of pockets. Mr. Bevan has not that quality. He has managed to put the doctors' backs up; and it is more to the man than to the measure that they object. Essentially all political parties and the whole of the medical profession are committed to a National Health Service of some kind. Logically, there is much to be said for a basic salary for all doctors, for ensuring an adequate number of doctors in all areas; and for abolishing the sale of practices—which are the chief points still in dispute. But the B.M.A. are convinced that the Minister intends to bring in by hook or by crook a full system of State medicine which would, they believe, destroy the proper relations between doctor and patient. Both sides have developed a high temperature. Mr. Bevan says he will operate his Act on July 5 whether the doctors vote to co-operate or not. The doctors have voted by an enormous majority not to co-operate. It is extremely unfortunate that such an atmosphere should have been generated in such a matter.

The second question is the Parliament Bill. It will be recalled that this measure proposes to reduce the power of the Lords to delay the passage of legislation from two years to one year. In fact it would virtually establish single-Chamber government, since the period of delay might be under four months; and it is commonly believed that the Government introduced the Bill in order to console their more extreme supporters for the postponement of the nationalization of the iron and steel industry. But when the Bill reached the Lords the case against it made by Lord Salisbury, who is pre-eminent among present-day politicians for real statesmanship, proved too

strong. After a great deal of manœuvring, it was finally agreed that each party should frame its ideas of what a Second Chamber ought to be in composition and in powers, and then that the parties should examine together whether there was any basis of agreement. This question is again one which ought not to be a party issue; and again it is a great pity that the Government should have made it one.

The overshadowing factor in the period under review has, however, been the approach of economic calamity. The distressing position has been revealed in two White Papers, one calling for the pegging of wages and the other setting out the catastrophic shrinking of our reserves during 1947. Nothing in the history of the Labour party or the trade unions prepared them for the first of these documents, and little in the previous pronouncements of the Government prepared them for the second. Though there is no question of the Government's fixing wages, they can fix prices which would make higher wages impossible. In these circumstances, the party and the trade unions tend to turn upon profits, which, of course, they find already rent by penal taxation. Much depends on whether the Government stick to their guns in face of the consequent outcry from their own supporters. As indicated earlier in this article we are in for hard times within months if American aid does not mature, and within a few years even if it does. In the writer's opinion, the best if not the only hope lies not in any political party but in the exceptional capacity of the British people not to bow to calamity. They may yet save themselves by their efforts and their leaders by their example.

United Kingdom,
February 1948.

NORTHERN IRELAND

DEVOLUTION in Northern Ireland, which Scotland is appraising more and more closely, is emerging from its first test of the post-war period, the relationship of a traditionally Unionist and pro-Conservative régime with Labour in power in Great Britain. So far collisions have been successfully avoided, and the degrees of independence and subordination appear to have been clearly defined, a measure of agreement which is to the credit of both sides. If Mr. Attlee and his colleagues have shown understanding and a disinclination to interfere with the Irish settlement Sir Basil Brooke has been no less tactful and wise in acknowledging that their different political label does not alter the fact that they are His Majesty's Ministers. This was in answer to absurd charges of his "collaboration" with Socialism.

One result of the past three years has, however, been a certain re-alignment of Unionists themselves. The lessening of the threat of constitutional change which so long strengthened its Right-Wing affiliation has enabled the party to regain more of its liberal tradition and character, and the Prime Minister has not deferred to the older and more diehard element in going forward with social reforms. It is too soon, perhaps, to see the effect of this broadened outlook on relations with the minority, but, notably in the new educational system inspired by the Butler Act, Unionist dissidence was safely risked in

order to make concessions to the Roman Catholics in keeping with present needs.

The Health Services Bill provides a good example of current domestic legislation. In essence this is an extension of the principle of "step-by-step" with Great Britain, but it represents not only a plan adapted to local conditions but a determination to be equally bold in attacking a long-neglected problem. By his method of approach the Minister of Health has obtained so much support from all concerned that his scheme looks to be more workable than its British counterpart. Where Mr. Bevan has failed, Mr. Grant has won full medical co-operation, and hospitals have been met by his ample recognition of the value of tradition and voluntary effort. It is characteristic of Northern Ireland's free attitude to schemes of rationalization that they should be administered by boards over which a minimum of control is exercised by Government departments. The scheme will come into force on July 5 together with full national insurance, and financial security is given by a new re-insurance agreement with the Treasury.

But it would be wrong to imply that all stress between the two parts of the United Kingdom has been removed. The Ulster business man takes unkindly to present conditions, and his view that many difficulties could have been prevented and that the country is being dragged down is often loudly expressed. The desultory Dominion movement* has rested ostensibly on its claim to safeguard Partition, but it has undoubtedly been joined to a desire to escape from a Socialist economy. Other counsels have prevailed, and the Prime Minister has sought and secured an effective endorsement of the policy of remaining an integral part of the United Kingdom. Practical politics and the long-term view firmly underline this instinctive decision.

This being so, an outstanding matter is the allocation of Northern Ireland's share of the national resources. The intelligent Unionist recognizes the duty of sharing burdens and accepting decrees which are national in scope, but there is substantial support for the view that Northern Ireland by its productive contribution deserves even more consideration than it tends to receive. In exports overseas it is producing £8 per head of the population against £3 in Great Britain, and its linen forms the most valuable of all dollar-earning commodities. Shipments of agricultural produce, moreover, are valued at £17 million annually, and that while food rationing—with only two exceptions, milk and potatoes—is in force. The tendency is to ask for these facts to be pressed on the British Government in order to secure more equipment and raw materials, so that the opportunity of buttressing a deficient industrial structure and of dealing with urgent problems of unemployment and housing may not be lost. Restiveness at restrictions from without, especially in petrol, is the greater for the bargain which Eire has been able to drive by virtue of sterling balances to which Northern Ireland, if it had stood apart, could have pointed with far more effect.

There remains the divertingly Irish paradox of Mr. W. F. McCoy, K.C., the champion of Dominion status, quoting Eire's material gains at the same time as Mr. Sean Mac Bride, leader of the new Republican party in the South,

* See THE ROUND TABLE, No. 149, Dec. 1947, p. 490.

speaks enviously but realistically of Ulster's higher standard of living and social services. In point of fact, the general election in Eire has been viewed with an equanimity unknown in the Craigavon period, when every retreat from the Commonwealth by Mr. de Valera was followed by a fresh declaration of Unionist solidarity. It is evident that the passing of the Act giving Northern Ireland wider legislative powers has done much to remove the Border from any immediate danger.

The first-hand observer can conclude that despite Socialism and economic crisis no process has been set up in the Unionist mind that the return of a new-found Conservative Government in Great Britain would not soon correct. The majority retain the sentiment and conviction that their future is in the United Kingdom, with this reservation, that the self-government accepted so reluctantly in 1921 is now regarded as an essential feature of their citizenship. Some may now seek a wider autonomy, but it is doubtful whether devolution is capable of further extension without a departure from the prerequisite of a common fiscal system.

Nevertheless, the broadening of political thought is such that future efforts will be increasingly concentrated on the development of local resources of all kinds, if necessary in conjunction with Eire. And it is conceivable that success in this economic and social field may do more to preserve the *status quo* than any other eventuality. For already there are signs that not all the non-Unionist vote is anti-partitionist.

Northern Ireland,
February 1948.

INDIA

ASSASSINATION OF MAHATMA GANDHI

THE course of Indian affairs is violently diverted into new and uncharted channels by Mahatma Gandhi's death at the hands of a Maharata Hindu, whom Pandit Nehru described shortly after the assassination as "a madman". But, the Prime Minister added significantly, there had been enough poison spread in the country in recent years and months to have its effect on men's minds, an unmistakable allusion to the criticism which had lately been voiced in some quarters that the cult of non-violence will get the least belligerent of the communities nowhere in an India in which the strong arm may count for more than ever before. It is quite unprofitable to speculate whether the saintly exponent of non-violence had recently begun to lose some of his hold over the people of India. For if, as some assert, he had, the loss was, at most, marginal. Even if incomplete, his grip upon the mind of India was unique, as was his position in the world outside. Whether or not the masses had at last become a little restive and less responsive to his Messianic message, his position as the supreme arbiter in all matters touching the highest policy of the Cabinet, or the affairs of the Congress party, was unchallenged, and never more absolute than at the moment of his death. "We must hold together" was the key sentence and the poignant underlying theme of Pandit Nehru's valedictory broadcast to the nation in memory of a man who, more than any other, has been the figure round whom the forces of Indian nationalism have rallied with unfailing loyalty in the victories and defeats of the last thirty years. If, in the last ten or more years, the Mahatma's responsibility for the policy and organization of Congress has been increasingly nominal in character, it has been because of his growing preoccupation with spiritual matters, and the heavy burden which his special position in the counsels of the nation imposed upon him. In the taking of every decision, either with or against the now defunct *raj*, his was the final voice on the Indian side. In the inner deliberations of Congress the ultimate yea or nay was spoken by him. In bygone Viceregal attempts to win the party for co-operation with the Government of the day, the first and last assent to be sought was that of the Mahatma. The same was the case with ministerial and Cabinet Missions in India. In abortive bids for an understanding with the Moslems he it was who wrestled with Mr. Jinnah. One of his closest English friends, Mr. Arthur Moore, has recently told us that in his last days the Mahatma attained to new spiritual heights. His recent peace missions to Bengal and Bihar, and the Delhi fast of a few days ago, called for a tremendous outpouring of that elusive but real influence which he exercised in Indian life.

All this demanded a close concentration on first principles to the exclusion of all else, particularly since Congress became enmeshed in the day-to-day administration of the country. But, with all his apparent remoteness from the daily round, he has none the less been a very real power behind the new

Indian Government, which to some extent is a reproduction of the Congress Working Committees of the past. There is, however, the difference between the Cabinet and the Working Committees of earlier years that the freedom issue, which held together men of diverse temperaments and economic beliefs, has to all intents and purposes been settled, and where formerly there was no occasion for differences of opinion in the party wide fissures are now beginning to emerge. Some arise from personal rivalries, others derive from conflicting economic policies. So great was his authority over the old guard of Congress that up to now an appeal to the Mahatma acted invariably as a solvent, and the outward façade of unity, though obviously somewhat strained, has hitherto been preserved. Who or what is to take the place of his compelling personality? For India, true to her long tradition, is still much more under the sway of personalities than of political programmes.

There can be no suggestion that the mantle of the master may fall upon any particular individual, for Mahatma Gandhi's unusual position both in the party and in the country has neither parallel nor precedent in the political life of our time. But no assessment of the future can have any claim to realism which fails to recognize that one great source of unity within, which India possessed in her own right and as part of her own inheritance, has departed from the scene. It is a fair question to ask whether the memory of this man—"a politician among saints and a saint amongst politicians" as he was once described—and the body of ethical and political doctrine which he has left to the nation will be sufficient to impose a check upon the centrifugal forces that are part of every great political revolution, and which are beginning to reveal themselves with growing insistence in the new India. That the Mahatma, sage and saint, the greatest Hindu of modern times, should die a violent death at the hands of another Hindu is in itself an indication of the emergence of strange and desperate urges—however untrue to the real character of India the assassination may be deemed. Until it actually happened such a thing was literally unthinkable. And yet it has happened, and it raises grave questions and a doubt whether previous assessments of the Indian way of life have not, in fact, been based on facile assumptions which have ignored the existence of processes that are already fermenting not far below the surface. In the first moments of a great tragedy in the life of a people it is perhaps natural that the dominant visible emotion should be an overwhelming grief. It may be that this will be succeeded by a wave of righteous indignation. As yet there are few signs of it—a further revelation perhaps of the traditional resignation and fatalism of the East.

From whatever standpoint one views the matter, it is clear that yet another new eventful chapter of Indian history has begun. Far-reaching as have been the changes of the last twelve months (it is almost a year since Lord Mountbatten began his Viceroyalty), an even bigger metamorphosis is in the making. The task of the last of the Viceroys and the first of the constitutional Governors General was primarily to place Indo-British relations on a new and, if possible, abiding basis of which the corner-stone was Indian independence. If the consequences for Britain were calculable, they were much less so for India. What is to happen hereafter will be profoundly affected by the fact

that a little heap of ashes on the banks of the river Jumna is all that remains of one who was the source of a strange elixir which preserved unity in the midst of so much diversity. For the rest of the long and arduous pilgrimage along freedom's road India will march without the Mahatma. The consequences, for what remains of the journey, will be considerable.

The Disputes with Pakistan

THE second calendar quarter* of independence has accelerated some of the trends that were quick to develop, once the first fine ecstasy of August 15 last had passed, caused others to abate and added a mountain war in Kashmir to the lengthening list of inter-Dominion disputes. Gradually the principal problems, which mostly centre upon inter-Dominion and Dominion-cum-States relationships, are beginning to form a rough pattern, which by no means conforms in every detail to earlier forecasts of what would happen once the unifying influence of the British administration was finally withdrawn. For instance, as a direct source of trouble, the States have been the occasion of surprisingly little difficulty, though indirectly Kashmir is the root cause of one of the biggest headaches afflicting our elder, and now rapidly aging, statesmen on both sides of the border. It epitomizes and keeps before the public of both India and Pakistan everything that is least desirable in communal and inter-governmental relationships. It also projects the whole explosive and unhappy affair on to the world stage, with consequent loss of face, however much the two disputants at UNO may pretend the contrary. The only really happy party to the affair is the tribes, who perceive what is abundantly clear to all neutral observers, namely, that until India and Pakistan agree that they have a common interest in the frontier, and are prepared to share responsibility for upholding it, there will be plenty of scope for the traditional pastimes of the mountainous area of the north-west. Meanwhile, the evil communications of the Kashmir valley corrupt the good manners that are essential to the settlement of a number of other matters outstanding between the two Dominions. A few weeks ago Hyderabad looked like blowing up into a first-class issue, but the failure of the Indian armed forces to obtain a quick decision in Kashmir has given the Nizam some much-needed breathing-space in the form of a twelve months' standstill agreement. But time will not always be on his side; and there are many people who think that the longer the Nizam waits the more certain it is that he will have to come to terms with India, rather than India come to terms with him.

But of all of the combustible elements in the present situation, probably none is more so than the Sikhs, whose "homeland" has been cut in two by the division of the Punjab, in consequence of which they feel themselves dismembered and disinherited and in danger of losing their identity as a community. What the Sikhs will do in the next few years is one of the most intriguing questions that arise from a study of contemporary Indian affairs. Action-minded, quick on the trigger, virile and forming a substantial proportion of the whole of the Indian Army (now that the Moslem units have

* The remainder of this article was in type before the news of Mr. Gandhi's assassination was received, and has not been altered.—*Editor*.

gone to Pakistan), such a community can obviously wield a power quite disproportionate to its numbers in a situation in which force has shown itself to be as important as ethical processes. The sense of history is strong in the Sikhs; nor do they need to reach so far back into the past as some of the other communities in order to revive the memory of their ancient glories. The Second Sikh War, resulting in the annexation of the Punjab to British India, ended rather less than a hundred years ago. The militant qualities of the Sikhs thus need little resuscitation. At the moment the authorities of both Dominions know them to be a problem. It is not too much to say that each hopes to turn that problem to some use in its dealing with the other. In its present mood Pakistan will not necessarily be displeased at the rather menacing concentration of Sikhs, accompanied by a certain amount of Sikh bellicosity, in and around Delhi. If nothing else, it helps to sustain tension. On the other hand, might not the Indian Government be disposed to turn a blind eye to Sikh activities on the west Punjab border, if they were adding materially to the difficulties of an already heavily burdened Pakistan administration? Such calculations, of course, rest on the assumption that the two Dominions will continue in their present uneasy relationship for some time to come. If New Delhi and Karachi came suddenly to a real working agreement the Sikhs might be even more displeased than they are to-day. So they, too, probably prefer inter-Dominion policy to remain fitful and fluid for the time being. Their martial prowess may be considerable, but their real weakness is lack of effective political leadership.

The Gap Left by British Administration

AMIDST such swirling currents, it is not easy to assess the main drift of the tide. Over large tracts of the country life goes on in much the same manner as before. There is a growing realization that all India's problems are long-term, and that no near date can be set for the millennium. Not all Indians feel like the writer of the letter quoted below, but there is more disposition to admit that the chief thing wrong with the previous régime was that it was largely foreign, and therefore deeply offensive to self-respect. Writing to the editor of a daily newspaper a week or two ago, an Indian correspondent said:

"I am no apologist for the late British rule, nor do I want to be unnecessarily harsh on our leaders. But it is no use gloating over having achieved freedom. The test of it is whether the common man is happy. Change of masters is alright [*sic*] if results are better. Have we got better results? In discipline, devotion to duty, respect for law, security of life and property, regard for justice and impartiality, moral restraint, non-interference in religious matters, in fact in everything which constitutes a good life for an average citizen unconnected with politics, conditions were much better than they are now—when we have won freedom.

"Our policemen and soldiers look shabbier. Corruption is rampant in public departments. Everywhere are feverish attempts to get rich quick, selfishness, utter disregard of the interests of the underdog. Public health has deteriorated. There is much churlishness. Education is replaced by slogans. The country's division

has resulted in massacres and displacement of millions, most of whom now live in conditions of utter misery.

"Yet the professional orator says that this sacrifice is not enough."

Such a *cri de cœur* is not typical, and in some of its details this picture of independent India is overdrawn. But in enumerating the things that are alleged to be lacking in Indian life to-day, the letter lists exactly those benefits which a paternal British administration claimed to have given the country for a hundred years or more. Have they all disappeared in a few short months? The answer is that they have not, but that abstract ideals of government are now subordinated to a struggle for survival and growth transmuted to the political plane. Nor is such a struggle in any sense alien to the real nature of India. For the first half of its stay here the British administration held it in check; in the second half it is alleged that it encouraged the dormant rivalries and fissiparous tendencies of the past in order to strengthen its own position. In theory, at least, the last and only justification for partition was that it would minimize the chances of prolonged conflict between the two major communities. That it might later lead to war between two new States is a prospect which no one would wish to canvass, but it is also a possibility that cannot be completely ruled out of a situation in which so much tinder lies ready to hand. For the moment we may hope that honour will continue to be satisfied in the long-range oratorical bombardment which proceeds from each capital in turn. Even in the highest places, there is still a curious indifference to the value and meaning of words.

India,

February 1948.

PAKISTAN

STRAINED RELATIONS WITH INDIA

THE question that has been uppermost in the minds of the people of this Dominion, during the quarter under review, has been whether war between India and Pakistan can long be avoided. It is regrettable that this should have to be put on record, and it is clear that war is the last thing desired by Pakistan, but it can hardly be denied that a "cold war" has been in progress. The political barometer has been extremely sensitive to news, good or bad, from the partition front, and at times an outbreak of hostilities in the Punjab has seemed imminent. December did, no doubt, see some eagerly welcomed improvements on the surface: the communal peace remained practically unbroken, and there was a distinct lull in the exodus of Hindus from Karachi; the agreement over the division of the financial assets and liabilities of the two Governments was rightly hailed as a constructive settlement of a complicated problem, and this was followed by a series of agreements concerning other partition problems, such as double income-tax relief, insurance companies, Post Office Saving Banks accounts, pension payments and other minor matters. The satisfactory conclusion of these agreements showed what could be done if experienced secretariat officials—former colleagues—approached administrative problems in a spirit reasonably free from ulterior political motives.

Yet all the time the Kashmir situation remained an open sore, and beneath the surface something not far short of economic warfare developed. The Sind Government export regulations, which were designed to prevent imported goods regarded as essential for Pakistan's economy (and to some extent paid for out of Pakistan's share of the foreign exchange resources) from being removed to India by Hindu importers, who had left or were proposing to leave Pakistan, were taken as an unfriendly act. The Government of India retaliated by quietly holding up transshipment goods for Karachi at Indian ports, and preventing machinery, vehicles and various kinds of supplies from being moved from India to Pakistan; they even went to the length of detaining (apparently in defiance of the provisions of the Sea Customs Act) a ship of a Pakistan steamship company. Urgently needed coal supplies also failed to arrive. The situation was aggravated when the Government of India announced their intention of withholding payment of the cash balances of Rs. 55 crores due to Pakistan under the newly signed financial agreement, on the ground that implementation of the agreement was conditional on a satisfactory settlement of the Kashmir trouble. (India could not, it should be noted, afford to repudiate the liability altogether, for in the long run Pakistan's debt to India is very much greater; but the temporary withholding of the payments was extremely embarrassing to the Pakistan Government.) At about the same time, a very bad impression was created in Pakistan by the decision of the Karachi District Congress

Committee to maintain its affiliation with the All-India Congress Committee; this was described in a leading Karachi daily as an insolent confession that the Karachi Hindus still regard the whole Indian sub-continent as one political unit and were determined to take orders from Congress leaders in the Indian Union. To complete the tale of deterioration, the month closed with India's appeal to UNO.

This was the position when the new year opened. It was not more than a few days old when a tragic outbreak of communal rioting occurred at Karachi. A party of 185 Sikhs arrived by train from up-country in the process of evacuation to India; no warning of their arrival had been received and they proceeded in open carriages to a *Gurdwara* in the centre of the city. The sight was provocative, particularly to the numerous refugees in Karachi, many of whom had suffered at the hands of the Sikhs in Punjab and Delhi, and a savage assault on the *Gurdwara* ensued. The police, at first, appear to have done little to stop it; many of them are Punjabis and it would have been too much to hope that they would open fire on Muslim crowds to save Sikh lives. About 170 persons were killed and an outbreak of looting followed, which was not brought under control for several days. At this stage of the affair little personal violence was offered to the Hindus at Karachi, but large numbers were cruelly evicted and robbed of all their possessions. Thousands of Hindus are now leaving Karachi and in a short time comparatively few will be left. The effect on the economic life of the capital can be easily judged if it is realized that before partition it was a 65 per cent Hindu city and the professions and clerical services were mainly filled by Hindus. Mercantile houses and banks are now finding themselves in grave difficulties for lack of staff.

The effect of these riots on India-Pakistan relations, already strained to breaking-point, was expected to be shattering. Curiously enough, however, a distinct *détente* took place in the middle of January. Apparently as the result of a successful meeting of the Joint Defence Council at Lahore the economic sanctions (which had never existed officially) were lifted as silently as they had been imposed, and the Government of India announced that the cash balances would be paid over without further delay. At the same time, a highly successful agreement for the exchange of foodstuffs was concluded between the two Governments. The 49,000 tons of rice to be supplied by Pakistan under this agreement should serve to avert an otherwise inevitable rice famine in southern India. The cumulative effect of these developments is most encouraging, and at the time of writing hopes are further raised by the news that Mr. Gandhi has abandoned his fast on assurances of renewed efforts for Hindu-Muslim amity.

It would serve no purpose to discuss here the merits of the Kashmir dispute, which are being exhaustively debated at the UNO session. It will suffice to say that the Pakistan Government genuinely welcomed the reference to UNO because, so long as Kashmir is not treated as an isolated incident, it is only too glad to have the opportunity of ventilating its grievances against India; in particular, Pakistan is confident that India's conduct in the Junagadh affair will not bear examination at the bar of world opinion—in fact it is felt

that, by snapping up the pawn of Junagadh, India has placed herself in check over the larger issue of Kashmir. With all this, however, many Pakistanis believe that the merits of the case will not count for much and that the voting at UNO will be governed by considerations of expediency and power politics.

A Grievance against Britain

IT is disappointing to have to record that there has been some deterioration in the feelings of Pakistan towards His Majesty's Government since the partition. When the curtain went up the British were popular, and it was confidently hoped that H.M.G. would give all possible help and co-operation to the youngest member of the British Commonwealth. The British are still individually popular, but there is a general complaint that H.M.G. has let Pakistan down. Lord Mountbatten is considered to have identified himself too whole-heartedly with the interests of India, and it is felt that H.M.G. is reluctant to assist Pakistan, either in settlement of partition problems or in supply of capital goods, for fear of offending her more powerful neighbour. These feelings found expression in an interview granted by the Quaid-i-Azam to a B.B.C. correspondent on December 19. The Quaid-i-Azam, who is known to be a good friend of the British, expressed his personal confidence that Pakistan would be ready to stay in the British Commonwealth; at the same time he stated that at the moment he felt that Great Britain was treating Pakistan with indifference and that H.M.G. were shirking their responsibility in not using moral persuasion to help settle the differences between Pakistan and India. Many leading Pakistanis have expressed themselves, in private conversations, far more strongly than this.

To a lesser extent, criticisms are also being directed against the attitude of British business. It is alleged that British business is showing itself apathetic and unenterprising at a time when Pakistan urgently desires the help of foreign capital and "know how" in developing its industries; many critics go farther than this and accuse British business, which has so much capital invested in India, of holding back from fear of offending the Government of India, or of setting up rival industries on the Pakistan side of the border. The criticisms are perhaps mainly the expression of the natural impatience of the Pakistanis, who are acutely conscious of their industrial backwardness. In point of fact, many British firms are considering opening offices or setting up factories in Pakistan. Some may be awaiting the next budget, for an indication whether the Pakistan taxation policy is to be designed so as to give industry a fair chance, and others may find the present political outlook too unsettled; but many firms are already on the move, and it must be said that when it comes down to brass tacks they do not always find it so easy to get contracts or to get the approval of the Pakistan Government to their projects. Indeed, the Pakistan Industries Conference was held only in December, and the Ministry of Commerce and Industries is still engaged in digesting its resolutions. No clear announcement of Pakistan's industrial policy, approved at Cabinet level, seems to have been made as yet. For example, on the question of nationalization, the Minister for Commerce

and Industry indicated that the armament industry, railways, Posts and Telegraphs, broadcasting and hydro-electric power, would probably be State-owned, and that the question of State ownership of the coal industry, of road and air transport and waterways services would also have to be considered. He did not, however, commit the Pakistan Government to this statement of policy and, though the general feeling is that Mr. Chundrigar's remarks will hold good, an official pronouncement is awaited.

No account of the quarter's activities in Pakistan would be complete without a reference to the momentous decision of the Pakistan Government to withdraw their regular troops from the tribal areas of the North-Western Frontier. The hoary controversy between the forward-policy and the close-border-policy schools of thought has thus been brought to a close. The decision has relieved the Pakistan Government of a heavy drain on the budget and has released troops for service in guarding the Indian frontier. The outcome remains to be seen.

Assassination in India

SINCE the foregoing was written the political scene has been overshadowed by the assassination of Mahatma Gandhi, news of which was received in Pakistan with genuine and unreserved regret. In the present highly charged emotional atmosphere it is difficult to make an appraisal of the effects of this tragic removal of the apostle of peace, but the immediate consequence seems to have been a cementing of the cracking façade of the Indian Cabinet. Pakistan feels that this will be no more than temporary and that sooner or later the Moderates and the Extremists will part company. If the latter come to the top it will be an evil day for Pakistan. Public opinion here is not greatly impressed by the eclipse of the Mahasabha and the suppression of the R.S.S.S. and similar bodies. It has been quick to notice that the Sikhs, considered public enemy No. 1, have been left untouched, and regards a campaign against private armies that does not hit the Akali Dal as a presentation of *Hamlet* without the Prince of Denmark. The attitude of the British delegation at Lake Success has been appreciated, and the Kashmir dispute appeared to be going well for Pakistan until the Indian move for an adjournment till the end of March. Pakistan sees in this a sinister motive, and, though pleased that India has damaged her own case by temporary withdrawal, is apprehensive. It is felt that India may be temporizing, with a view to gaining military success in Kashmir as additional forces are deployed there and the weather becomes more favourable for operations, and thus presenting the U.N. commission with a *fait accompli*. Without the restraining influence of Mahatma Gandhi there is also renewed danger of direct action on the Punjab border.

Pakistan,
February 1948.

IRELAND

THE GENERAL ELECTION

LIKE most other European countries Ireland has entered 1948 with some trepidation. Many serious questions present themselves for immediate solution. Can we increase our agricultural production and so staunch the persistent haemorrhage of emigration? Can we obtain the necessary supplies of wheat, coal and petroleum? Will the dollars be available to pay for them? Will the cost of living continue to rise? Above all, what will be the result of the general election to be held on February 4? The answer to the last of these questions will be known before this article is published and on that answer may well depend the answers to the other questions. It is therefore necessary to describe the antagonists and indicate the issues.

Parties and Policies

IN Ireland, where social and economic questions are generally subordinated to personal or purely political issues, it is not easy to label parties in the customary way. Fine Gael, the principal opposition party, is, however, essentially a party of the Right. Its supporters are mostly to be found amongst prosperous farmers, shopkeepers and professional men. For ten years under the leadership of Mr. Cosgrave it dominated the Irish political scene; but under its present leader, General Richard Mulcahy, an industrious if uninspired and uninspiring politician, it has steadily lost ground and influence. The vital issue concerning the establishment of the rule of law, which it fought for valiantly, is now settled. During the last few years it has endeavoured to reorganize its ranks and to attract young men of ability and education. How far these efforts have been successful the election will disclose. It is unlikely, however, that it will secure an effective majority or even increase its strength. If returned to power it promises to lower the cost of living by reducing taxation and State interference, and by increasing production.

Fianna Fail, the Government party, is a party of the Centre. Ironically enough it has now attained very much the same position as its predecessors held when they were defeated in 1932. Mr. de Valera, in one of those homely similes with which he likes to illustrate his speeches to peasant audiences, recently pointed out that while the other parties were like foxes who could run in various directions his party was like a cat; it could only run up a tree. In other words, it could only continue to pursue its present policy, which in effect seeks to provide for industrial development and a planned economy without undue interference with private enterprise. The Government has already by legislation made considerable progress towards a system of social security, and promises further measures of the same kind. Mr. Lemass, the Minister for Industry and Commerce, recently claimed with truth that the Government had regularly consulted the trade-union movement and had

given it increased responsibility. But the Industrial Prices and Efficiency Bill, recently introduced, which proposes to set up "working parties" *à la* Cripps, has aroused fierce opposition from some of our rather conservative manufacturers, and it is probable that the party's funds will suffer accordingly. To make good this defection some of its remaining big-business supporters issued a special appeal for funds, which its opponents suggest was not altogether disinterested. Fianna Fail is, however, still the best organized and most solvent of all our political parties, although it suffers from the internal strains and stresses due to fifteen years of office.

On the Left Mr. de Valera is challenged by the new Clann na Poblachta or Republican party, by the Farmers' party, which largely represents the small farmers of the West, and by the two Labour parties. There are also several Independent members of various kinds. These range from Mr. James Dillon, T.D., the courageous exponent of a realistic external policy based on an Anglo-American alliance against Communism, to Mr. Oliver Flanagan, T.D., whose speciality is monetary reform through the printing-press! Of the Left parties Clann na Poblachta, although at present the smallest, offers the most serious challenge to Mr. de Valera's power. Its recent victories in two by-elections precipitated the general election.* It has already been responsible for several desertions from the left wing of Fianna Fail which has always been the spearhead of Mr. de Valera's cohorts. Its social policy is of the usual vote-catching and impracticable kind and includes plans for, and promises of, full employment, reafforestation, &c. Some of its supporters are alleged to have had Communist affiliations, but its published social aims are based on a pronouncement by one of the Catholic hierarchy. Like Fine Gael it promises to attack bureaucratic control and also to decentralize administration. Although it naturally claims to be more Republican than Mr. de Valera, its only serious contribution to constitutional reform is a suggestion that members from the Northern Parliament should be admitted to the Dáil. It is difficult to see how this could serve any purpose except to create confusion—if, indeed, it is legally possible. Mr. Sean Mac Bride, S.C., its leader, possesses all the necessary qualifications for Irish political leadership. His father, Major John Mac Bride, who took up arms twice against England, once in the Boer War and again during the 1916 Rebellion, was executed for his complicity in the latter rising; while his mother, better known by her maiden name of Miss Maude Gonne, has been a leading figure in Irish extremist circles for half a century. Mr. Mac Bride himself is a barrister of considerable ability. In spite of his early association with the I.R.A. he has matured in recent years and is a man of undoubted integrity and vision. During the recent Anglo-Irish trade negotiations, for instance, he made it clear that he was prepared to support Mr. de Valera's Government in their efforts to establish realistic commercial relations with Great Britain. Although his party is hardly likely to secure an over-all majority in the new Dáil it will undoubtedly constitute a force to be reckoned with, and his future career will be worth watching.

The Farmers' party (Clann na Talmhan), which only numbered 11 in the

* See THE ROUND TABLE, No. 149, December, 1947, pp. 489-90.

last Dáil, is poorly led and has no clear policy save the protection of the farmers' interests. Mr. Dillon recently attempted to bring about a fusion between it and Fine Gael in order to provide a strong alternative to Fianna Fail, but he failed because the Farmers' party refused to change the name of their organization. Such are the puerilities of Irish politics. Mr. Dillon has announced that if re-elected he will endeavour to form a new national democratic party. He was certainly the most dynamic personality in the last Dáil and the real leader of the Opposition. It is just possible that he may emerge from the electoral turmoil as Prime Minister in a coalition government.

The two Labour parties, one based on the British-affiliated unions and the other on the purely Irish unions, remain hopelessly divided in spite of the praiseworthy efforts of Mr. Lemass to compose their differences. They advocate nationalization of the railways, "cheap" money and abundant credit for industry, coupled with a general policy designed to secure full employment regardless of the cost. Their only hope of exercising any political power is in a coalition government. There is no official Communist party in Ireland, but the Congress of Irish Unions has recently warned its members against Communist tactics, which (it alleges) have already taken the familiar shape of fomenting unauthorized strikes and sapping the influence of the trade-union leaders.

The Issues

CERTAIN facts emerge from this survey of the rival parties and policies. As economic pressure increases questions of pure politics become less important. For the first time since the establishment of the Irish State no party in this election is relying on an anti-English slogan for popular support. Even the question of partition—the last refuge of Irish politicians without a policy—has been relegated to the background. (Incidentally it may be noted that Sir Basil Brooke, the Northern Prime Minister, has refused to consider the suggestion of one of his followers, that Northern Ireland should seek Dominion status.)* In reality there is little difference between the programmes of our numerous parties. All profess to desire the social, industrial and agricultural development of Ireland and differ little as to the means. Whatever government is returned to power the effective control of the country will no doubt remain in the hands of a few silent but efficient senior civil servants, exercising the real power without responsibility for policy. If conditions were normal there should be little difficulty about a coalition between the Fianna Fail and Fine Gael parties, for both have in fact similar aims, but the personal animosities between their leaders, the bitter heritage of the Civil War, renders such a fusion impossible. The real issue, which dominates all others, is whether Mr. de Valera's party will obtain an over-all majority and so enable him to retain the complete control over Irish affairs which he has now exercised for fifteen years. Being well aware that his opponents are only at one in their desire to remove him from office, he has astutely told the people that the alternative before them is to

* See THE ROUND TABLE, No. 149, December, 1947, p. 490.

return his Government, which works as a team and has definite objectives and aims, or else a weak coalition government which, he claims, would "begin in bargaining, continue in bargaining and end as a result of bargaining". He has even stated that under such a coalition government the country would be doomed. He has made it clear that he dislikes proportional representation, which (he alleges) leads to government by groups; and there can be little doubt that he would abolish it if he could. But as the system of voting by means of the single transferable vote is embodied in the Constitution of 1937, of which he himself was the author, it can only be abolished by a majority vote on a referendum. Mr. de Valera's present dislike for P.R. is no doubt coloured by the fact that he does not believe it will give his party an over-all majority, but he apparently forgets that without it both he and his party would have been obliterated after the Civil War. The proof of the pudding is in the eating; and this system of election has not only enabled every substantial interest to obtain representation in Parliament, but has given us stable government, with only one change of administration, for a quarter of a century. It has solved for us, so far as a solution is possible, the crucial problem of reconciling justice to minorities and the right of the majority to govern.

Nor are his objections to a coalition government any more valid. The example of Switzerland, Belgium, Holland and the Scandinavian States proves that small countries are not obliged to dissipate their energies in party warfare, and that a coalition government which represents the highest common factor of the electorate can achieve excellent results. It is true, of course, as Mr. de Valera has pointed out, that the present Swiss all-party government is elected for a definite term and does not resign if defeated; in other words, the government is in effect itself a miniature parliament. Such an executive seems to be the logical result of P.R. and better suited to our needs than our present adaptation of the British parliamentary system, which Mr. de Valera desires to strengthen and perpetuate. P.R. has one excellent result; it prevents any violent change, and so it is almost certain that whatever the result of the election Fianna Fail will remain the largest party in the new Dáil. The number of Dáil members has been increased by the recent Electoral Act from 138 to 147, the majority of whom will be elected by three-member constituencies. The Government party must therefore maintain its present strength of 76 in order to secure even a slender majority. This seems improbable. On the other hand, there is no doubt that it will get a lot of new support from the considerable body of conservative opinion which is frightened of drastic social and economic changes. These people fear Mr. Mac Bride far more than they dislike Mr. de Valera. Charges of corruption and favouritism were recently made by the Opposition against the Government concerning abortive negotiations for the sale of a distillery to a foreign syndicate. These charges were eventually referred to a tribunal of three High Court judges, who, after a protracted hearing, found that they were quite unfounded. What did, however, transpire was the fact that our officials, business men and even some people in high places are too much inclined to take foreigners at their own valuation.

The recent Anglo-Irish trade agreement,* although it is more concerned with promise than present performance, has also been welcomed by moderate opinion as an indication that Mr. de Valera's Government is at last prepared to face realities. In return for prospective supplies of coal, raw materials, fertilizers and agricultural machinery, as well as increased prices for some of our agricultural products, we have agreed to develop agricultural production and restrict our dollar drawings. As a result unrationed coal is once more available for domestic use, our currency restrictions have been brought into exact conformity with the British, and our private petrol ration has been cut by one-fifth. Particulars issued in connexion with the Marshall Plan show that our estimated dollar deficiency during the next four years amounts to £124,500,000. Against this, if the Plan goes through, we shall receive during the first fifteen months credits amounting to £37,950,000 for the purchase of tobacco, petroleum, farm machinery and electrical equipment. But wheat, which is our chief need if our farmers are to revert to their normal wheat acreage in order to concentrate on livestock and livestock products, is apparently not included. Unless it can be procured within the sterling area it must be paid for in dollars. But our agricultural production cannot be developed, as agreed at the Paris Conference, so long as our farmers are obliged to devote so large an acreage to food cereals. In order to make any appreciable contribution to European recovery or, indeed, stabilize our own economy, we must import at least 400,000 tons of wheat a year whether by dollar credits or otherwise. We must also take the necessary steps to increase our farmers' profits by the better marketing of their products and by eliminating the middle man as he has been eliminated in other agricultural countries.

Ireland,

February, 1948.

The Result

THE result of the election has justified Mr. de Valera's pessimism. The state of the parties at the dissolution was Fianna Fail, 76; Fine Gael, 27; Farmers, 11; Independents, 10; Labour, 8; National Labour, 4; Clann na Poblachta, 2. It is now Fianna Fail, 68; Fine Gael, 31; Labour, 14; Farmers, 11; Clann na Poblachta, 10; Independents, 8; National Labour, 5. Mr. de Valera has therefore lost his over-all majority although his party will be far the largest in the new Dáil. Fine Gael has slightly improved its position while Labour and Clann na Poblachta have advanced theirs. All the political leaders were re-elected. Polling in the Carlow-Kilkenny constituency (5 seats) has been postponed until February 10 owing to the death of one of the candidates after nomination, but this is not likely to make any alteration in the present position. When the Dáil met on February 18, Mr. de Valera, who had previously stated that he would not join a coalition, was defeated by a combination of parties. Mr. Costello was elected Taoiseach in his place, and formed a Coalition Government. Whether the thirteenth Dáil justifies or confounds the superstitious must, however, depend on the patriotism and common sense of our new representatives.

* See THE ROUND TABLE, No. 149, December, 1947, pp. 484-5.

CANADA

CONSERVATION OF DOLLARS

SINCE November 17, 1947, the twelve and one-half million people of Canada have been confined within their long-expected "dollar-saving" strait-jacket. (The dollars that are to be saved are, of course, American, not Canadian, dollars.)

To most Canadians the confinement has not as yet been very serious or restrictive. It takes time for any curb on imports to be felt by the consumer. Then, too, the Government has been cautious in implementing its promised cut-back in imports of capital goods. There had also been widespread "advance" buying of United States merchandise and materials. Speaking generally, it is estimated that in the six or eight months prior to November 17 Canadian purchases of consumer goods from the United States were equivalent to twelve or eighteen months' normal consumption.

Preliminary estimates show that in the first full month of restriction (December) Canadian imports from the United States were cut back by over \$50 million, or close to 30 per cent. This is considered a very good start. The actual "gap" on merchandise accounts averaged \$85 million in the eight preceding months. As December exports to the United States were abnormally high, the deficit in this first month of so-called "austerity" was only \$15 or \$20 million. But it will be several months before there can be any really useful estimate of the dollar-saving effectiveness of the new programme.

The main points in the Government's announcement of November 17 were as follows:

1. The Government disclosed that its reserves of gold and U.S. dollars had dropped to \$480 million, a decline of more than \$750 million since the beginning of 1947. (Later figures disclosed that reserve holdings had reached a record peak figure of \$1,670 million in May, 1946, prior to return of the Canadian dollar to a parity with the U.S. Heaviest drain had occurred in the following ten months, the loss in that period being close to \$1,000 million.)

2. The Government announced there would be no depreciation of the Canadian dollar, but a combination of emergency restrictions combined with long-term constructive measures aimed to increase Canada's U.S. dollar earnings. The negotiation of a loan of \$300 million from the Export-Import Bank at Washington was also announced.

3. The restrictive measures fell into several parts:

- (a) Outright prohibition of a wide list of durable consumer goods, electric appliances, furniture, novelties, jewellery, candy, &c. The value of Canadian importations from the United States of this type of goods in the twelve months ending June 30, 1947, was approximately \$150 million.

- (b) Import quotas on certain fruits and vegetables, textiles, leathers, prepared food products, and miscellaneous items such as clocks and watches,

cutlery, sporting goods, &c. The value of these imports in the base year ending June 30, 1947, was approximately \$200 million, and the quota system was designed to reduce these importations from hard-currency countries by 60 per cent.

(c) Authority to control, by permit, the entry of all capital goods, such as steel, machinery, equipment, &c. Imports in this category are said to involve purchases of close to \$500 million annually. Exercise of authority in this field was placed directly under Mr. C. D. Howe, Minister of Reconstruction and Supply, who has since been named Minister of Trade and Commerce. The avowed aim of this authority was to defer investment in commercial, office, service, and amusement building, and give priority to capital projects demonstrated as capable of increasing Canada's power to earn U.S. dollars.

(d) A temporary ban on all imports of automobiles, pending the working out of a quota system.

4. Imposition of a 25 per cent excise tax on a wide range of durable consumer goods having high U.S. content. The avowed aim here was to prevent the curtailment of U.S. imports from being used as a protective device by Canadian manufacturers and also to restrain Canadian purchases of these goods. (This particular feature of the programme has been under considerable fire and a number of items originally announced as subject to the tax have been taken off the list.)

5. Restrictions on travel to the United States or other hard-currency areas. A limit of \$150 per person per year is put on personal expenditures except for business or health reasons.

6. Integration of manufacturing operations between Canada and the United States, especially in the case of American firms with branch plant subsidiaries in Canada. In addition, an intensive development of Canadian natural resources and secondary manufacturing operations with a view to increasing Canadian earning power of U.S. dollars.

7. A special payment to Canadian gold-mines designed to assist in defraying increased costs of production. (An earlier and simpler proposal for paying a bonus of \$7 for each ounce of additional production over a base period was withdrawn owing to objections by the United States made through the International Monetary Fund.)

Modifications of the Programme

AS might have been expected, a very considerable number of changes have been made since the programme was originally announced. For example, the original plans were made entirely by a small group of senior civil servants without the benefit of advice from distributors, importers, or manufacturers. Inevitably, mistakes were made. Thus one of the original orders banned the importation of refined oil. This was quickly amended when it was realized that the ban cut off many types of specialized lubricants essential to keeping Canadian industrial wheels turning. It had also cut off Canada's supply of mineral oil for internal use. Another minor but typical "crisis" came from Arctic missionaries and the northern patrols of the

R.C.M.P. It was discovered that not even the famed Canadian "Mounties" can "get their man" without American materials. The bobsleds which they and the missionaries use in winter are made of Missouri hickory. Nothing else will do. So the special order which banned all imports of American lumber had also to be amended.

More important, it was found that control over the wide range of capital goods imports was easier said than done. For instance, the Dominion Government, in peace-time, may exercise restraint on new construction and expansion only through the customs tariff. It has no authority to prohibit the building of a theatre or of a bowling alley as "unnecessary" just because it uses a lot of U.S. structural steel or equipment. All that the Dominion Government can do is to ban the import of certain structural steel or machinery items as they appeared in the customs tariff. But most of the big imports in these items come by way of "basket items". To prohibit one was to prohibit all. Thus there has been delay and confusion while the Government attempts to work out a system of "screening" that is both workable and legal. In the result, the date for even an initial application of control over capital goods was advanced by successive stages to March 1, 1948.

One further complication is the unprecedented capital boom that Canada is enjoying in 1948. When Dominion statisticians came to tally up the dollar totals for this year's estimated expenditures, they found that, despite the dollar-saving programme, Canadian industries, utilities and government agencies are planning the greatest capital boom in Canadian history. The preliminary estimates place the total of this expenditure at \$2,700 million, of which \$1,800 million is for industrial and utility expansion. The remainder is for housing and government expenditure (largely municipal). This estimate of \$2,700 million compares with 1947 expenditure for capital investment of \$2,000 million—a figure which was itself a record.

This post-war "boom" posed an important problem. It meant that even after "screening" there would need to be very large expenditures on American materials and equipment, since much of the expansion was tied directly or indirectly to projects which might either earn or conserve U.S. dollars. This meant that the possibilities of substantial dollar savings in this field during 1948 appeared to be not very great; that Canada would probably import as much or more structural steel from the United States (if it could get it) than it had in 1947, even after all "non-essential" projects had been weeded out.

What are the present implications of the dollar-saving programme? How long will it last? How effectively will it work?

Some of the difficulties and problems in curbing capital imports have already been discussed. In the field of consumer goods—fruits, vegetables, appliances, sporting goods, textiles and other items which Canadians are accustomed to buy in such great quantities from the United States—a great deal may depend on the form and extent of possible U.S. dollar aid *via* the European Recovery Programme. As Mr. St. Laurent, the Minister of External Affairs, stated in a speech in Winnipeg on January 24:

"The emergence of a concrete plan for the reconstruction of Europe, the European Recovery Plan, is a bright ray of hope for the world at large, including Canada.

We are not depending on it, though we may be hoping to profit somewhat from it, together with the rest of the world."

The British Food Contracts

THE importance of this programme to Canada was seen, in part, by the delicate and critical discussions held at Ottawa in December over renewal of British food contracts.

British officials arriving in Canada to discuss 1948 plans announced the intention of their Government to follow a new dollar-saving "selective" purchasing policy for 1948. They put the highest priority on base metals, lumber, cheese and wheat. They asked to be relieved of further commitments in Canada on bacon, beef, milk, eggs. They argued that this programme would conserve their own meagre dollar supply for the absolute essentials. They argued, as well, that it would release Canadian supplies for sale in dollar markets and thus afford some measure of relief to Canada's position.

But the Canadian Government refused to separate its four-year wheat contract from other food agreements. Canada also notified Great Britain that, in view of her own extreme dollar shortage, she could no longer permit further drawings on the "line of credit" extended to Britain in 1946. Henceforth, it was stated, Britain must pay for her Canadian needs either in exports or in "hard cash".

Failure to reconcile these conflicting points of view led to a complete stalemate and held up negotiations for over two weeks. The British pleaded dire financial necessity, aggravated by unexpected set-backs in their own reserve position. Canada argued that political and economic considerations made the wheat and other food agreements inseparable. Also cited was the fact that Canada's inability to borrow more than \$300 million in the United States had weakened her own reserve position, thus precluding further credit accommodation.

These important discussions might well have ended in failure had not the British been faced with the catastrophic implications of losing the low-priced Canadian wheat contract. Equally, the Canadian Government would have had to admit failure for its long-term food stabilization programme. There was also the overriding consideration of what failure in these negotiations would have meant for Europe and the whole democratic cause.

Out of the stalemate there came finally a compromise. This included an agreement by Britain to purchase smaller amounts of food at higher prices for another year. Britain also agreed to put up about twice as much cash (\$100 million for the first three months of 1948) as she had expected to do. Canada, on her part, relented and extended \$15 million of credit per month during the first quarter of 1948.

Although the food contracts, of necessity, were negotiated on a firm basis for 1948 so that Canadian farmers could go ahead and make their plans, Canada reserved the right to reconsider the financial arrangement at the end of three months. It is at this point that the importance of American "ERP" dollars begins to emerge.

In the early discussions, British negotiators took the view that they could

not include any allowance for possible further American aid. They argued that henceforth Britain must stand on her own feet and make plans on the basis of her present declining reserves and limited resources. Canadians, on the other hand, argued that under such circumstances this country would have virtually to abandon her overseas shipments to the United Kingdom, and would have to sell her surplus goods elsewhere for "cash", or be prepared for a greater degree of "austerity".

The compromise arrangement whereby terms are to be reassessed in April 1948 recognized the realities of the situation. Each country recognized that nothing final could or should be agreed upon until the all-important question of American aid became clear.

Looking ahead, on the basis of the programme for 1948, it would appear that British purchases in Canada will amount to about \$700 million. This includes \$300 million for wheat and flour; \$125 million for bacon, cheese and eggs; \$80 million for timber and \$110 million for metals. Against this, the British hope their exports to Canada in 1948 may reach \$250 million. This would leave a deficit on trade account of \$450 million.

But, as already indicated, \$145 million of this deficit was underwritten during the December discussion. This covers the first quarter of 1948. Still unresolved is the basis on which the remaining \$300 million deficit for the balance of 1948 will be met.

The Function of American Aid

UNDOUBTEDLY it is in the closing of this kind of "gap" that Canada hopes for some relief through American dollar aid. There is no thought that this dollar aid should be expected to close the gap entirely. But there is clear recognition that Canada's ability to continue further substantial shipments of foodstuffs, raw materials, &c., to Britain and Europe is in large measure dependent on the maintenance of her own American dollar position. The Canadian aim, to quote Mr. St. Laurent again, should be "to create a genuine exportable surplus large enough to enable us to play our part in the recovery of Europe without having to resort to crippling import restrictions". Not until the extent and nature of U.S. aid becomes clear are there likely to be any important modifications in the Canadian dollar-saving plan.

But underlying "temporary" easement from an American-aid programme is the more fundamental question of how soon the Canada-U.S. trade balance can stand on its own long-term feet.

One point is, of course, obvious: that the speed and extent of European recovery, and the degree to which trade can again be carried on in convertible currencies, are the most important consideration. If that recovery and buying power are permanently reduced or shattered, then Canada must of necessity face a much lower standard of living. The other consideration is the extent to which Canada can find larger and permanent markets for foodstuffs, raw materials and manufactured goods in the United States.

Before November 17, Canada had been purchasing in the United States at the rate of \$2,000 million a year. Her sales in that market were only \$1,000 million. Much hope is built on the new Geneva Trade Agreements

to bring some permanent correction in that unbalance. Thus, for the first time in many years, Canada has achieved reasonable access to the American market for her meat, live cattle, coarse grains, and many other important products which are traditionally in surplus. Temporarily, much of this market is closed off by Canada's own choice, because of British and other overseas commitments, and the unwillingness of the Canadian Government to allow its surpluses to be drained off at the much higher prevailing U.S. prices. Some Geneva opportunities are, however, immediately available. For example, a lowered rate on aluminium and lower rates on B.C. shingles.

But it is now officially admitted that the Government places much stock in a new and enlarged reciprocal trade agreement with the United States—an agreement which it is hoped will considerably increase the area of concessions gained at Geneva. This was disclosed officially in Parliament in December by Mr. D. C. Abbott, Minister of Finance, who stated:

"The Government believes that steps should be taken to reduce further trade barriers and to promote closer and more advantageous economic co-operation between the two countries. It is the desire of the Government to reach a further trade agreement with the United States. This proposal has been made informally to United States officials who are studying this and other methods of promoting mutually beneficial economic co-operation."

What is hoped for here by Canada is the complete removal of the U.S. tariff against certain Canadian components and manufactured goods. Because Canada was not a "principal supplier" she did little or no negotiation on these items at Geneva. Moreover, the 50 per cent limit on tariff reductions, which circumscribed American negotiators at Geneva, was not considered satisfactory to meet the Canadian need.

What is hoped for, therefore, is the negotiation of a new reciprocal trade deal between the two countries which would go directly before Congress. Unfortunately, perhaps, there is little disposition for the American Government to consider this seriously before the November 1948 presidential election. There is already much opposition even to the Geneva concessions at Washington, and a special opposition on the part of the Republican party in the United States to any further extension of the "most-favoured-nation" benefit.

What may well emerge, eventually, is a new and critical issue between these two countries; namely, a choice for Canada as between (a) little or no additional concessions, and (b) a straight bilateral "customs union" type of reciprocity. If, as is suspected, the Republican party favours the latter approach, and that party were to be returned to power in November, then Canada might face an acute dilemma. For such a proposal would not only jeopardize Canada's place in the Empire preferential system, but would unquestionably be a major step toward domination of the Canadian economy by Washington.

Canada,
January 1948.

AUSTRALIA

THE BANKING ACT 1947

SINCE Mr. Chifley announced the intention of his Government to nationalize the private trading banks, this issue has overshadowed every other in political debate and action both inside and outside Parliament. The nationalization bill was introduced in the House of Representatives on October 15, and was debated in the House and the Senate until November 26; on November 27 it received the Governor-General's assent. Even before the Bill became law, the private banks, fearing sudden action by the Government when it did, moved the High Court for interim injunctions; on undertakings by the Government that no action would be taken without notice, these motions were held over and fresh proceedings begun by the banks, and by the States of Victoria, South Australia and Western Australia. In these proceedings the validity of the nationalization scheme is challenged on two principal grounds: that it interferes with the rights of State Governments, contrary to the doctrine of implied prohibitions (based on the federal nature of the Constitution), which was re-established in the State Banking case;* and that it interferes with freedom of trade, commerce and intercourse between the States, contrary to Section 92 of the Constitution. The High Court has issued an interim injunction to preserve the *status quo*, and it is expected that all the cases will be argued before the full court in January and February.

The principal features of the Act are as follows: it authorizes the Commonwealth Bank to acquire either the shares in or the assets and business of fourteen named private banks.† In the absence of agreement, the Treasurer is empowered to make an order vesting in the Commonwealth Bank the shares in these banks owned in Australia, or their assets and business in Australia. The Commonwealth Bank is directed to pay fair and reasonable

* See THE ROUND TABLE, December 1947, pp. 501-3.

† These are: incorporated in Australia—the Ballarat Banking Co. Ltd., the Bank of Adelaide, the Bank of New South Wales, the Brisbane Permanent Building & Banking Co. Ltd., the Commercial Bank of Australia Ltd., the Commercial Banking Co. of Sydney Ltd., the National Bank of Australasia Ltd. and the Queensland National Bank Ltd.; incorporated in the United Kingdom—the Bank of Australasia, the English, Scottish & Australian Bank Ltd. and the Union Bank of Australia Ltd.; incorporated elsewhere—the Bank of China, the Bank of New Zealand and the Comptoir National d'Escompte de Paris. Two savings banks in Tasmania controlled by trustees are omitted from the proposals, and the Act does not affect pastoral and building companies, many of which receive deposits, make advances and even provide cheque accounts in a manner approximating to the business of banking. The method of acquisition of shares is appropriate to the case of banks incorporated in Australia, and the method of acquisition of business and assets to the case of banks incorporated elsewhere, though the latter method may be employed in all cases. In the former case, the Commonwealth Bank might acquire control of assets outside Australia, but in the latter case only Australian assets will be directly affected. Many of the private banks have extensive interests outside Australia, especially in New Zealand.

compensation for whatever it acquires. A new federal Court of Claims is established for the purpose of deciding disputes as to compensation under this and all other federal acquisition statutes; the judges have life tenure and there is no appeal from their decisions. This court was the subject of criticism. Its permanent character was taken as indicating that the Government had further nationalization plans in mind, though under the present Constitution the power of the Commonwealth Government acting alone to nationalize industries is narrowly restricted. The creation of a special tribunal to determine compensation claims is justified by the protracted and detailed nature of the cases likely to arise if the bank acquisitions are held valid, and the High Court's interpretation of federal judicial power made the appointment of judges with life tenure the only safe course.* The court will also replace the confusion of compensation procedures under other statutes, but it would have been more consistent with past practice to grant an appeal to the High Court on questions of law. There are elaborate conditions governing the assessment of compensation and the transfer of compensation rights. Present employees of private banks are guaranteed employment in the Commonwealth Bank service on conditions broadly speaking not less favourable than those which they at present enjoy, with such additional benefits in the way of protection against summary dismissal as apply to Commonwealth Bank employees; they are, however, subject to dismissal on the ground of excess staff.† A committee, presided over by a judge of the Court of Claims, is empowered to determine conclusively disputes as to existing rights of private-bank employees. Pending acquisition, the Treasurer may prohibit the named banks from carrying on the business of banking. The Act does not itself prohibit other persons or corporations from carrying on banking, but under the Banking Act of 1945 only corporations may engage in general banking business, and they may do so only with the licence of the Governor General in Council; the fourteen banks specified in the present Act are in fact the only privately owned banks now licensed for general banking business. Neither the 1945 Banking Act nor the present Act applies to banks of any description conducted by the State Governments, since the Constitution expressly forbids the Commonwealth to interfere with such banks.

The Commonwealth Bank is required to provide "adequate banking facilities" for any State or person requiring them, to conduct its business without discrimination "except on such grounds as are appropriate in the normal and proper conduct of banking business", to observe customary banking practice and in particular not to divulge information concerning customers except "in circumstances in which it is, in accordance with law

* Judicial functions of the Commonwealth can be entrusted only to persons holding office for life, and the cases leave in doubt how far assessment of just terms of compensation is an "administrative" and how far a "judicial" function.

† The Government case was not helped by an indiscreet statement made by Mr. Dedman, Minister for Post-War Reconstruction, on September 9 that "rationalization" of the banking industry would enable the nationalized service to dispense with 5,000 employees of the acquired banks. Mr. Chifley immediately stated that there was no intention of dispensing with any present employees.

or the practice . . . customary among bankers, necessary or proper" so to do.* No person may be compelled to become or remain a customer of the Commonwealth Bank or of the acquired banks.

The Private Banks

THERE are about 72,000 shareholders in the private banks, of whom about 51 per cent live in Australia, about 32 per cent in the United Kingdom and most of the remainder in New Zealand. Shareholders' funds are valued at about £A80 million; about 57 per cent of this amount is attributable to Australian shareholders and about 30 per cent to shareholders in the United Kingdom.

It is not possible to obtain comprehensive recent figures showing the financial importance in the Australian economy of the fourteen banks faced with acquisition, but they carry on the bulk of the country's banking business. It is estimated that they handle about one and a half million accounts; the Commonwealth Bank's trading branch handles about 215,000 accounts. In June, 1946, the private banks' deposits were about £A630 million and their advances about £A226 million; the Commonwealth Bank's trading branch then had deposits of about £A58 million and advances about £A18 million, and these proportions have remained about the same in 1947. The private banks employ about 20,400 persons, who staff about 2,000 branches spread all over the Commonwealth. These employees are employed under the terms of federal and State industrial awards.

The Opposition to Nationalization

THE nationalization proposals have been attacked with the utmost vigour by the Liberal and Country parties and by the private banks themselves ever since Mr. Chifley's original announcement. Large and enthusiastic meetings of protest have been held throughout the country, beginning with public meetings in Sydney and Melbourne in August at which Mr. Menzies, leader of the federal Opposition, addressed some 10,000 people. Petitions signed by many thousands have been addressed to members of Parliament, the federal Speaker and the Governor General, either protesting against the proposals or asking for a plebiscite. At one stage, the flood of petitions and of individual letters and telegrams to Canberra threatened to disrupt the postal service there, and their reception by Parliament held up public business. Public-opinion polls up to October showed consistently that about 63 per cent of the electorate opposed nationalization, about 23 per cent supported it, with the rest undecided. The official organizations of the private-bank employees did not as such oppose the scheme, but a separate organization of employees with a very large membership was formed to carry on

* These guarantees are vague in character and would be difficult to enforce by legal action; probably the only adequate safeguard for customers is that provided by competition, and by a staff trained to resist instinctively both demands for information and political pressure. A Western Australian Liberal member made an effective point against the Government by showing that the Commonwealth Savings Bank had paid money out of a depositor's account to a Government department without the depositor's authority and not as a result of legal process.

opposition to the scheme, and this includes many prominent members of the official association. Public debates and meetings have been conducted in a tense atmosphere; brawls have been frequent and speakers have been shouted down both by opponents and by supporters of the scheme. No issue has caused such bitterness and recrimination both in and out of Parliament since the conscription plebiscites of the First World War.

It seemed possible at one time that even the Churches would be involved in the dispute. Roman Catholic priests in Adelaide, Sydney, Hobart and Brisbane, including Archbishop Duhig of Brisbane, condemned nationalization of the banks in terms suggesting that disapproval might become a matter of faith; this would have been a serious matter for the Labour party, whose executive and parliamentary representation includes a higher proportion of Roman Catholics than the proportion of Roman Catholics in the whole population. The Anglican Archbishop of Adelaide and numerous other clergy also condemned the proposals, and the issue was raised in many synods and convocations. However, the Roman Catholic Archbishop of Adelaide announced that nationalization of the banks was not necessarily at variance with his Church's social policy, and this was later confirmed by Cardinal Gilroy, who was absent from Australia when the original Roman Catholic criticisms were delivered. Ultimately all the churches have decided that the issue is a secular one for individual decision.

None of these protests has in any degree deflected the Federal Government from its purpose. The Labour party was slow to begin a campaign of counter-propaganda, but the trade unions have expressed strong approval of the plan and the campaign to justify it to the electors has now begun. The Liberal Governments of Western Australia and South Australia announced from the first that they would oppose the scheme by action in the High Court. However, the most important single demonstration against the Government was provided in Victoria.

The Victorian Election

THE Cain Labour Government had held office in Victoria since 1945 with the support of two "non-party" independents, and at the sufferance of the non-Labour majority in the Upper House.* Throughout September the Liberal and Country-party opposition endeavoured to defeat the Government in the Lower House, so as to hold a State election on the banking issue. Finding themselves unable to do this, they used their majority in the Upper House to refuse supply to the Government. The Government remained in office until three Supply Bills had been rejected† and a Bill for a referendum on the franchise of the Upper House had been deferred by that House; the purpose of these manœuvres was to make reform of the Upper House an electoral issue. The action of the Upper House was unprecedented in two respects. It was the first time it had precipitated a State election in con-

* The Upper House is elected by about one-third of the number of persons qualified to vote for the Lower House; see THE ROUND TABLE, September 1947.

† Previous supply ran out during this process, and the payment of civil service salaries was delayed.

nexion with a substantially federal issue; it was the first time that it had rejected a Supply Bill to which as such it had no objection, solely in order to compel the Government to resign. On four occasions during the nineteenth century Australian State Upper Houses had rejected Supply Bills, but on each occasion their objection had been to matters of policy (such as the introduction of a protective tariff), which had been "tacked" on to the regular Supply Bills. For these reasons, many people opposed to bank nationalization considered that the Upper House had acted unwisely, and six Liberal and Country-party members of the House voted with the Government. The majority in the Upper House considered that the exceptional nature of the banking issue and the refusal of the federal Government to put it to the people justified unconventional tactics, and their attitude was justified by the event.

In the short election campaign that followed, the State Labour party sought a vote exclusively on the Upper House issue; federal Labour members took little part and the electors heard very little in support of the federal banking policy. The Liberal and Country parties campaigned on the banking issue; they said that a decisive vote against Labour would be a vote against nationalization, and that if elected they would use every measure in the power of a State Government to secure the defeat of the nationalization proposals, whereas a Labour Government would support those proposals. They also contended that, if Labour were defeated, federal Labour representatives from borderline seats might urge the federal Government to abandon the Banking Bill. Federal Opposition members headed by Mr. Menzies and Mr. Fadden took a very active part in the campaign. The election held on November 8 resulted in a decisive victory for the Liberal and Country parties. The Labour party lost fourteen seats, and three Ministers were defeated. In the new Parliament the Liberals have 27 members, the Country party 20, the Labour party 17, and there is one Independent Labour member. Owing to the uneven distribution of electors, the turn-over in seats is less revealing than the turn-over in gross votes. Making approximate allowance for uncontested seats, the Labour party and supporting groups secured in 1945 about 470,000 votes and the non-Labour parties and supporting groups about 445,000 votes.* In the election just held, the Labour party and supporting groups polled about 476,000 votes, the non-Labour parties and supporting groups about 600,000.† The importance of this vote as a demonstration against bank nationalization is emphasized by the following considerations: in all previous disputes in Victoria between the Upper House and a Government supported by the Lower House, the electorate has

* Members of the services out of the State did not have a vote at this election.

† The Labour party lost one "safe" seat, and others which it had held for periods of up to thirty years. The only Labour members to increase their majorities were two Roman Catholic representatives of metropolitan industrial areas who had been conspicuous for their public condemnation of the Communist party. The two "non-party" independents elected in 1945 were decisively defeated. The Liberal party gained at the expense of the Country party as well as the Labour party. The Liberal and Country parties have formed a coalition government with Mr. T. Hollway as Premier. The increase in the vote is due partly to population increase and partly to the return of votes from the services.

strongly supported the Government; apart from the bank issue, relations between the Liberal and Country parties were strained and had been strained for more than a year, and even in this election each party put up candidates in several seats contested by Labour; the administrative record of the Cain Labour Government had been fairly good and, before the bank nationalization issue arose, the indications were that Labour would be returned at a general election.

The Debate in the Federal Parliament

THE debate on the Bill brought out two main issues: first, the propriety of introducing the measure; secondly, the substantive merits and faults of private banking. On the first issue the Opposition contended that the Government had no mandate to nationalize the banks, since neither the Labour party election programme of 1946 nor the speeches of any responsible Ministers at the time had even remotely suggested such a policy. There is no doubt that this contention was well founded.* The Government defence was by way of confession and avoidance; it pointed out that nationalization of the banking system had been a permanent plank of the Labour party's platform since 1922, and that Mr. Chifley himself had advocated nationalization in his minority report as a member of the Royal Commission on Banking in 1936. The Government also claimed that it had fought the 1946 election, among other things, on its policy of strict control of the banking system as embodied in the 1945 Banking Act, and that the recent legal challenge to sections of that Act,† the known dislike of the private banks for the 1945 controls and the probability that the 1945 legislation would be repealed if the Opposition returned to office now made nationalization the only method of giving security and permanency to the Labour party policy of credit control. The Opposition pressed hard for the holding of a referendum, as being the only honest and democratic way of settling the question of mandate. The Government replied that Parliament was sovereign, not the electors, and that referenda were appropriate only if the Constitution had to be altered;‡ it considered that the existing Constitution gave it power to enact the Bill.

The debate was of a high order. There was no time limit at the second-reading stage in the Lower House or at any stage in the Senate. The committee stage in the Lower House was on a guillotine schedule, but the Opposition was so opposed to the principle of the Bill that it did not desire to debate details. Mr. Chifley and his senior Ministers appear to be quite sincere in their belief that the measure is for the good of the country; some of them regard a nationalized banking system as sufficient in itself to secure a controlled economy and full employment. Mr. Menzies delivered the most effective speeches of his career. The issues provided full play for his mastery

* However, Opposition speakers had claimed in the 1946 election campaign that Mr. Chifley was seeking a "blank cheque".

† See THE ROUND TABLE, No. 149, December 1947, pp. 501-3.

‡ This was a quibble. There is no constitutional bar to the holding of a plebiscite on matters within Commonwealth power.

of constitutional principles and his great analytic ability. He judged rightly the present temper of the people on this question, and he had no difficulty in showing that, however limited the aims of the present Government may be, the nationalized bank system would be a powerful weapon in the hands of a future Government determined to carry through any wholesale programme of socialization.* The ability of the Commonwealth to do this is strictly limited by the Constitution, but Commonwealth and State Governments acting in collaboration can do a great deal. The connexion between bank nationalization and extreme socialism was emphasized by the strong support which the nationalization scheme has received from the Communist party. Communist candidates in the Victorian election campaigned in favour of the Act, and this contributed to the defeat of the Victorian Labour Government. The priority which the Communists give to bank nationalization in their economic programme was emphasized in the federal debate.

Political Consequences

IT would be futile to speculate on the economic consequences of the nationalization of banking until the legal challenge to the measure is settled. About the immediate political consequences of the scheme, however, there can be no doubt. A public-opinion poll† held on August 2 showed that 49 per cent of the electors supported the Labour party and 40 per cent the Liberal and Country parties, with the rest independent or undecided. On this figure, a general election held then would have returned federal Labour to office with an increased majority, notwithstanding the ground it had lost in Queensland and Western Australia. Furthermore, this poll suggested that the vote for the Liberals would be materially increased if Mr. Menzies were not their leader. The events described above suggest very strongly that in a federal election held to-day, Labour would be defeated; furthermore, the prestige of Mr. Menzies in particular now stands very high. The Liberal and Country parties took the initiative in opposing the nationalization scheme, and Mr. Menzies stood out above all others in the number and brilliance of his speeches on the subject, in and out of Parliament. After the Victorian election, he said that he felt like a man who hears rain on the roof after a long drought—a metaphor which every Australian will appreciate, and which expresses well the revived spirit of the non-Labour parties.

It must not be thought, however, that the Labour party will take this situation lying down. A number of Labour members said publicly in September that the party was committing political suicide by persisting with the Bank Bill, and a party split seemed possible. The Victorian election, however, has had the effect of closing the Labour ranks, and the very effective leadership of Mr. Chifley, Mr. Calwell and Senator McKenna in the

* The permanent policy of the Labour party includes the socialization of "the means of production, distribution and exchange".

† Since these polls have been referred to frequently in this and other articles, it is well to repeat that their accuracy has been demonstrated in every State and federal election since 1944.

parliamentary debates on the Bill further strengthened the party morale. Whether the party can make good the ground it has lost in the electorate depends to some extent on whether the banking issue is still alive when the next federal election comes late in 1949. That in turn depends partly on the result of and the time taken by the legal proceedings* and partly on the question of "unscrambling the omelette". Labour-party leaders have frequently expressed the opinion that once the banks are nationalized the procedure will be irreversible, and this view has been accepted by some leading opponents of nationalization. There may be less substance in the view than many of these speakers seem to think. As a matter of law, it would be easy to repeal the 1947 Act. The practical difficulties of restoring a privately owned banking system would depend on the degree of "scrambling" which the banks had undergone. Hence the banking issue might well be alive in 1949, even if the Courts uphold the 1947 Act.

The banking issue has also strengthened the general hostility to economic controls. The federal Government has carried an Act for a referendum, to be held early in 1948, when the people will be asked to give the federal Parliament permanent price-fixing powers.† The measure was certain to be opposed strongly even apart from the banking issue, but that issue has strengthened the opposition. The non-Labour parties are not opposed to the continuation of temporary controls; they do not wish to see the American inflationary situation reproduced here. But the banking issue has made them resolutely determined to oppose further federal powers; accordingly they rely on the existing power to control prices and other economic matters reserved by the Constitution to the States. But some of the State Upper Houses might refuse to pass price-control measures,‡ and adequate co-operation between States, necessary to a uniform policy, is unlikely to be achieved. In general terms, the banking issue has sharpened party alignments, and made the division between Labour and non-Labour much more clearly a division on socialism versus private enterprise. The popular trend is strongly in favour of private enterprise.

Australia,
January 1948.

* An appeal to the Privy Council may or may not be available to the defeated party, depending on the issues which are decisive in the High Court.

† Its present economic controls depend chiefly on its war-time defence power; to date, the High Court has treated these as still operative, but it cannot sustain this attitude indefinitely.

‡ The new Victorian Government has decided to continue building controls until June 1948, but the decision was reached after acute difference of opinion in the coalition caucus, and was openly criticized by Government supporters in the Upper House.

NEW ZEALAND

SOME ASPECTS OF EXTERNAL AFFAIRS

THOUGH Parliament in 1947 passed many measures of domestic importance, the session was noteworthy from the international point of view. Never before has so much time been devoted to debating affairs of the world outside New Zealand and our relations with the British Commonwealth and with United Nations. It was refreshing for the listening public to hear so many speeches which would have done credit to any Parliament in the Commonwealth. Many members appeared to have made a study of foreign affairs and there was a pleasing disposition to discuss them objectively.

During the war both parties expressed a general, and at times generous, approval of the Labour Government's "foreign policy", but there has since been some impatience at the lack of information and a desire to be apprised beforehand of the Government's policy. The demand for a Foreign Affairs Committee was renewed this year and acceded to by the Prime Minister (Mr. P. Fraser), rather late in the session certainly, but early enough to enable the committee to comment on the report on the Canberra talks and our attitude to the Japanese peace treaty.

United Nations

MEMBERS, like the general public, have been slightly mystified by the variety of assemblies and councils, and uneasy at times about our financial commitments and the part we are playing in policy. On the whole our representation has been approved. Mr. Fraser's stand at San Francisco against the veto was criticized in New Zealand on the quaint ground that a small country should not figure so prominently in exalted company. Recent events seem to have justified his action. Moreover, his appointment at San Francisco as chairman of the committee which drafted the trusteeship clauses of the Charter and his bearing at later conferences have gained him compliments from both parties.

The Department of External Affairs now publishes our delegation's reports and appropriate papers in convenient form. When the first of these reports was debated, on July 31, it was decided on the motion of the Prime Minister that the time allowed for speeches should be increased from 15 to 30 minutes. In spite of the vicissitudes of United Nations it would appear to be regarded in Parliament at any rate with more sympathy and confidence than its forerunner ever enjoyed. Last session's debates showed a definite unanimity that New Zealand should pursue an independent and considered course. The non-party temper of the debates was marked. Actually five members of the National party voted with the Government majority against a motion to reduce the vote for the Unesco delegation to Mexico on the ground that too many delegates were going. Unesco seems to be regarded more hopefully than its vague predecessor, the International Institute of Intellectual

Co-operation. Since the organization of the External Affairs Department our delegations have been largely official and much better informed.

Trade and Employment

SECTIONS of the public followed keenly the slow evolution of the trade and employment agreement. At these conferences New Zealand has been ably represented by the Finance Minister (Rt. Hon. Walter Nash), who long before the party came into office was a staunch advocate of full employment and improved living standards. That attitude he had now no need to defend in Parliament. His main task was to reassure members on the question of imperial preferences and the protection of our own industries. The free-market philosophy, he insisted, would lead inevitably to fresh disaster as each country strove to protect its economy. He firmly believed that regulation and planning, import selection and bulk contracts were the best means of maximizing production and trade and so providing full employment. The State need not control everything, but provision would have to be made in the charter for countries like New Zealand, Norway and Czechoslovakia, which tended to control external trade and to plan production.

There was noticeable uneasiness when the Minister said that a tariff rate arrived at in a bilateral agreement with one country would automatically become multilateral, that is, the rate for all countries which were members of the International Trade Organization. Preferences existing within the British Commonwealth could be maintained, and those which were not the subject of negotiation at Geneva would remain intact. New Zealand was determined to stand by British Commonwealth preference. She would not consider a breach of her relations with Great Britain, though modifications and amendments would be considered in return for reciprocal alterations in the United States and other tariffs. The alterations had all been made in close consultation with other British Commonwealth Governments.*

The debate closed (on November 12) without any statement of the proposed changes, though it had been disclosed from Geneva that New Zealand had concluded a bilateral pact with the United States and agreements with Belgium, Chile, France, India, the Netherlands and Luxembourg. Mr. Nash repeated his assurance that no concessions would be made which would endanger our own industries, in which 150,000 workers are employed. In setting forth the following seven "imperative principles" of New Zealand Government policy he remarked that numbers 1 and 5 were already assured:

(1) Permanent immunity for their bulk sale and purchase contracts to the United Kingdom Government; (2) permanent immunity for the subsidy procedure involved by implication in the guaranteed price system; (3) reduction of preferences on a *quid pro quo* basis only and not on a general unqualified basis as originally contemplated by some countries at least; (4) conscious inter-governmental action to ensure planned production and distribution of commodities in continuous world need; (5) immunity for domestic planning and deliberate government patterning of production and distribution; (6) retention by each member nation of complete jurisdiction over the entry of outside capital and the purpose to which it was

* N.Z. Parl. Debates, Oct. 29, Nov. 12, 1947.

applied; (7) effective retention by member nations of the right to practise quantitative regulation of trade with a degree of discrimination providing it was of an expansionist kind.

The summary of the trade agreement, tabled on November 18, showed that New Zealand had been granted a reduction of 50 per cent in the United States duty on meat and butter in return for a 5 to 10 per cent rebate on a wide range of American manufactures (including motor cars) coming into New Zealand. As regards the United Kingdom, there is no change in existing preferences on dairy produce. The pre-war meat quotas will be replaced by tariff preferences to be negotiated. Certain preferences (e.g. on dried apples, pigs' tongues, &c.) are to be eliminated, while the 7s. per cwt. duty on foreign honey is to be reduced to not more than 5s.

That the agreement has been received with complacency is not surprising in view of existing conditions. Owing to the dollar dilemma licences for American imports have been drastically reduced and in some cases withdrawn. On the other hand, all of our available meat and dairy produce is hypothecated for years to come to the guaranteed British market, and in any case public opinion throughout the community desires the most favourable response to British needs.

A Constitutional Debate

A SERIES of debates of considerable significance originated in the Bill which was introduced by the leader of the National party (Mr. S. G. Holland) on August 5 to abolish the Legislative Council. This question has been constantly cropping up for the last half-century. Up to 1891 the members of the Council were appointed for life. Until parties began to crystallize in the 'eighties it was not evident that such a body might improperly obstruct legislation. A bitter crisis, much resembling the House of Lords controversy in Campbell-Bannerman's day, was precipitated in 1891 when the Liberal Prime Minister John Ballance succeeded in reducing the life membership to seven years, and gained a decision from the Secretary of State empowering the Government to carry its legislation, if necessary, by swamping the Council (i.e. appointing sufficient new members to give it a majority). Since then each party in turn, to make its position secure, has weakened the essential character of the Council as a revising body, and has revived the cry from the Opposition to mend it or end it. An empowering act passed in 1914 by the Massey Government to make the Council elective has now been brought into operation. To-day, with a membership of about forty, Council divisions rarely show more than half a dozen votes against the Government.

Mr. Holland claimed that abolition of the Council was desired by an overwhelming majority of the people and that both parties were pledged to it. The Council no longer initiated legislation and it considered only perfunctorily bills passed by the House. He agreed that a case could be made for a Second Chamber: if they thought fit after a trial they could make fresh provision for one.

On the second reading the Attorney General (Mr. H. G. R. Mason) warned

the House that though the New Zealand Constitution Act of 1852 had been several times amended by the Imperial Parliament, section 32, which provided for a bicameral legislature, remained entrenched, or in full force. No power had been conferred on the New Zealand Parliament to alter that system. A. E. Currie, in his book *New Zealand and the Statute of Westminster* (1944) stated:

"The safer view for the General Assembly to adopt, if possible litigation is to be averted, is that, if the General Assembly is to be free to deal with the Constitution Act it must first, presumably in a manner similar to that which was followed in promoting the Statute of Westminster, prefer its request to His Majesty that the United Kingdom Parliament shall be asked to pass another Constitution Act, by which all the remaining sections of the Constitution Act shall become dis-entrenched."

Section 8 of the Statute of Westminster itself specifically, he continued, withheld the power to repeal or alter the constitution otherwise than in accordance with existing law. He admitted that New Zealand was not in any real sense constitutionally restricted "because everyone knows that, so far as we have not the power, we have only to ask for the power and it is only a matter of making the convenient arrangements. It is obviously an impossible position to put the country into to say that a bill of this sort could pass and that then we should take our chance as to what the position was." The validity of the Bill could be challenged in a court of law, or even before it became law. He doubted, therefore, whether they could advise the Governor General to sign it. The proper course was to refer the matter to Westminster to have the technical difficulties cleared up. Then they could debate the Bill with a sense of reality. Opposition speakers contended that Parliament had full power to legislate and that any act they might pass would be assented to as of right.

The debate took a new turn when the Prime Minister moved, as an amendment to the second reading, that before any change was made in the Constitution the Statute of Westminster should be extended to the Dominion, and that meanwhile a committee be appointed by both Houses to consider making the House of Representatives the only legislative chamber or alternatively the establishment of a revising body for legislation passed by the House. New Zealand had wished to adopt the Statute during the war and the British Government was agreeable, but they said: "Will it cause the Germans to use propaganda and say that we are dismembering the British Commonwealth? If so, let us wait." The proper course now was to adopt the Statute. This would put New Zealand on the same footing as other Dominions. The Prime Minister's amendment was carried by 39 to 37 (the usual party division).

The two measures referred to, the Statute of Westminster Adoption Bill and the New Zealand Constitution (Request and Consent) Bill, were passed on November 25 without a division. When the latter was implemented by the United Kingdom Parliament (December 8) the last restrictions on New Zealand's right to amend her Constitution were swept away. Strangely enough, the only amendment was proposed in the Legislative Council (on

November 21). The Hon. T. Bloodworth's motion that no changes be made in the Constitution without a referendum was rejected by 15 votes to 3.

Island Trusteeships

THE new legislature of the Cook Islands, provided for in the Act of 1946, has come into existence. Hitherto, owing to inadequate sea communication, there has been no effective association of these islands. Each has had its own council, with no central legislature. In the new Cook Islands Legislation Council, which was opened at Avarua (Rarotonga) on November 5, there are 10 unofficial members (elected early in 1947 from the island councils), and 10 official, with the Resident Commissioner presiding.

The debates on the trusteeship of Western Samoa took many New Zealanders by surprise. In spite of some untoward incidents they had believed that our administration of the mandate had been as successful as it was disinterested, and that the Samoans were quite content under our rule. We have administered the territory since it was taken by our expeditionary force in August 1914, at first under military occupation and then under a mandate from the League of Nations. The Administrator (too often a retired military officer of high rank) has exercised the main governing power, with a legislative council in which the Europeans enjoyed disproportionate representation. There is no doubt that our rule has been benevolent. With little regard to expense we have improved the health services and given the Samoans more education than they were accustomed to. Had they been given a greater share in their own government we might have averted the Mau episode, in which the Samoans by non-co-operation paralysed our best intentions for a decade (1926-36), gravely affecting public health and ruining the finances of the territory. There was some violence, too, on the removal from Samoa of the Mau's principal leader. On the other hand, during the whole term of occupation the traditional conflict amongst the three governing families—Malietao, Mataafa and Tamasese—was in abeyance.

The Labour Government in New Zealand had before the war considered devising a more liberal constitution, and in 1944 the Prime Minister discussed the matter on the spot. New Zealand welcomed the Trusteeship machinery of United Nations and at once volunteered to change the Samoa mandate for a trusteeship. The terms proposed for this agreement were unfortunately submitted to United Nations (in October 1946) without having been discussed with the Samoan leaders. The latter took umbrage, called meetings of protest and petitioned United Nations for immediate self-government, with New Zealand as "protector and adviser" (as Great Britain is to Tonga). They also sought the union of Western Samoa with the eastern islands, which are held by the United States. New Zealand officials and the Administrator failed to convince the Samoans that what was proposed in the trusteeship agreement was practically all they asked.

Our draft agreement was approved by the General Assembly on December 13, 1946, and New Zealand at once invited a United Nations mission to visit Samoa. The mission consisted of Francis B. Sayre (president of the Trusteeship council), Pierre Ryckmans (honorary Governor General of the

Belgian Congo), and Eduardo Cruz-Coke (of Chile). It found after exhaustive evidence that practically all Samoans wished to see their own leaders at the head of the government as soon as possible. The New Zealand proposals were not incompatible with these aspirations, but the Samoans "seem to have assumed . . . that any agreement reached by foreign powers without their consent would put the territory once more under foreign domination for an indefinite period". Permeating the whole people was "the worldwide modern nationalist spirit which opposes all alien rule as such". They would not be satisfied with piecemeal improvements in the existing system, but only "by some dramatic and fundamental changes which will give them a sense that the government they are to live under is their own and that they are on the pathway to full self-government".

The mission considered it essential that the Samoans should be made to feel they had such a government, and to that end New Zealand should vest in the Samoan Government some of its powers, administrative, legislative and judicial: that the administrator should be called a high commissioner and that he should, as our Government proposed, have a council of state consisting of the three Fautua (heads of the ruling families) and a legislative council in which Samoans should have a majority. All racial distinctions should cease. The mission strongly recommended wider teaching of English, which the Samoan leaders desired.

There was such close agreement between the New Zealand proposals and the views of the mission that it seemed to both inadvisable to delay implementing the reforms until after the General Assembly of United Nations had approved them (at the earliest in September 1948). The Samoa Government Bill was accordingly introduced in Parliament on November 18 and passed with little discussion. It provides for a high commissioner in place of the administrator, a council of state with advisory functions comprising the high commissioner and the three Fautua for the time being (this being a sort of cabinet to propose legislation and advise on native matters). Then there is the Legislative Assembly, consisting of the Fautua, 11 Samoans (some nominated and the rest elected), 5 elected Europeans and not more than 6 officials. The Bill has had a good reception from the New Zealand press.

Democracy, as we understand it, is an unknown concept amongst the Samoans, who have lived a sort of feudal existence for generations, managing their more intimate affairs by village and district committees. Seventy years of alien rule have done little to dissolve the sustenance economy of tropical islands. Introducing the reforms over the air the Administrator (Lt.-Col. F. W. Voelcker) said:

"They are an intelligent people and I have great hope that they will be quick to grasp the honesty of our intentions. We in New Zealand think on democratic lines, but this is Samoa, and there is very little democracy in the Samoan conception of government. But it is their system and their country, and it is our duty to lead them and help them towards a way of life that they like and understand and which at the same time will fit them into the world of to-day."

New Zealand,
January 1948.

BRITISH COMMONWEALTH RELATIONS

WHEN the last issue of THE ROUND TABLE was going to the press, two Dominion Prime Ministers, Field-Marshal Smuts and Mr. Mackenzie King, were in London on the occasion of Princess Elizabeth's wedding. The opportunity was taken to engage them in consultations with members of the United Kingdom Government; and on November 25 they met Mr. Attlee and other Cabinet Ministers, including the Minister of Defence, for "a free and informal exchange of views on matters of common concern, especially in the field of international relations". The High Commissioners for all the Dominions, including India and Pakistan, were present.

Satisfactory as it was that this meeting should have been held on the eve of the Foreign Ministers' Conference in London, at which Mr. Bevin's hands were assuredly strengthened by his knowledge of the views of other Commonwealth Governments and of the support that he could count upon from them, the episode was a further confirmation of the unannounced but unmistakable fact that the formal Imperial Conference is virtually dead as the supreme instrument of British Commonwealth co-operation. No Imperial Conference has been held since 1937. The Conference of that year was held upon the occasion of the Coronation of his present Majesty, and precedent alone, as well as the manifest need for holding an Imperial Conference soon after the war if it was to remain the practice at all, would have suggested calling one when the royal wedding brought or might bring so many Dominion representatives to London. A single informal meeting, unattended by ministerial spokesmen of four out of six Dominions, was the only comparable use made of this opportunity.

The need for close co-operation in international affairs was lately underlined, not only by the deterioration of relations among the Big Four Powers, but also by the lack of unanimity among Commonwealth members on certain international issues concerning them all. Such was the future of Palestine, on which, while the United Kingdom abstained from voting in the United Nations General Assembly on November 30, the four "white" Dominions voted for partition, and India and Pakistan against it. Earlier, in the Palestine Committee of the United Nations, New Zealand had abstained from voting, because while she thought partition the best solution she was gravely apprehensive at the lack of any provision for its enforcement—a matter on which one might perhaps have expected a solid British Commonwealth view, in the light of its members' own experience and their vital interest in the security of the Middle East.

Another unhappy reflection on the difficulties of maintaining Commonwealth unity now that its fully independent members include two new Asiatic nation States was provided by India's reference to the United Nations, at the end of December, of her acute dispute with Pakistan over Kashmir.

At an earlier stage the Pakistan Government had sought the mediation of the United Kingdom Government in this dispute, just as they had invoked the interest of all the Dominions in the problem of the Punjab massacres and migration but on neither occasion to any large apparent effect, no doubt because India's *amour propre* understandably stood in the way of intervention by the countries of the British Empire, into whose self-governing circle she had herself been so lately admitted. It was satisfactory to observe that in the Security Council the lead in conciliation was taken by the United Kingdom delegate. Nevertheless the emergence within the Commonwealth of a dispute so dangerous and bitter as to call for reference to Lake Success was a sharp reminder that to uphold the old ideal of British Commonwealth relations—that armed conflict among its members is “unthinkable” and that all differences can be settled by compromise and mutual comprehension—will be far more difficult in the new circumstances than in the old.

In this connexion it falls to be recorded that Ceylon assumed Dominion status, with control of her external affairs, in February, and had for many purposes been treated as autonomous during previous months. On January 4 Burma assumed complete independence of the British Crown. The treaty which she had signed with the United Kingdom Government on matters arising out of the transfer of power, however, left her in special relationship with the British Commonwealth. For instance, existing preferences would continue, and she received at her own request a British defence mission while undertaking to receive no similar mission from any foreign country. On February 1 the new Malayan Federation came into being—a first step towards full self-government for a wider South-East Asian Dominion, the completion of which must await, first, the association of Singapore with the Federation and, secondly, the inclusion of Sarawak, Brunei and British North Borneo.

Meanwhile bread-and-butter issues had afforded notable examples of fruitful collaboration in the Commonwealth, based upon a sense of common interest and mutual help. Difficult and complicated negotiations over supplies and finance between the United Kingdom and Canada were crowned by an agreement published on December 18.* Canada's sacrifices of immediate economic advantage for the sake of affording maximum aid to the Mother Country were warmly recognized in Britain. In return, the United Kingdom Government entered into undertakings designed to assure a stable and certain market to Canadian producers at reasonable prices, and to provide Canada with an agreed fund of United States dollars to help rectify her characteristic deficit on the direct balance of payments with her neighbour. While a United Kingdom food mission was on its way to Australia a new pact for the supply of Australian wheat was announced; and a five-year agreement for the purchase of Rhodesian tobacco was another contribution to the effort to maximize British Commonwealth supplies in substitution for those from dollar countries.

During the period under review, the General Agreement on Tariffs and Trade, signed at Geneva on October 30, 1947, and published on November 18, came up for ratification. It was signed not only by the United Kingdom but

* See p. 605.

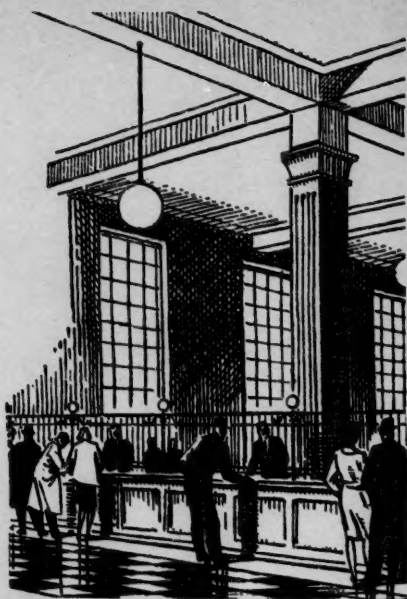
also by all the self-governing members of the British Commonwealth, including Southern Rhodesia and Ceylon. The schedules attached to it involved reduction or abolition of certain specific margins of imperial preference, in exchange for tariff cuts by other signatories, notably the United States. The balance of these concessions was defended by the United Kingdom and other Governments as a fair bargain, made in the overall interest of freeing world trade. The Opposition at Westminster, however, forced a division in the debate on the agreement on January 29. Apart from the immediate balance of advantage, it was undoubtedly a new principle to set a limit upon imperial preferences by general international pledge, since hitherto the defence of imperial preference as an exception to the universal most-favoured-nation policy had rested on the claim that trade arrangements within the Commonwealth were *sui generis* and were purely the concern of its own members. There remains only to record the general acceptance throughout the British Commonwealth of the view expressed by Mr. Winston Churchill in the House of Commons debate on closer unity of western Europe, in the middle of January, that a policy of European unity could perfectly well accord with Britain's obligations to her fellow members of the Commonwealth.

Addendum on Newfoundland. As THE ROUND TABLE goes to press the authors of the article "Newfoundland Looks at Her Future" write: "A radio appeal by Messrs. Bradley and Smallwood for telegrams and letters protesting against any attempt to exclude Confederation from the referendum is stated by them to have brought in a flood of answers. They claim at last hearing to have the protests of 50,000 voters, which is more than the total vote in the election of the Convention."

N.B. *The correspondents of THE ROUND TABLE in South Africa judge that, in the present political situation, the course of events in the Union since December 1947 can be most satisfactorily described in a single article covering six months, which will appear in the June number.*

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